

Quality Assurance Guide



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Office of the Chief Financial Officer
Office of Financial Management

QUALITY ASSURANCE GUIDE

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WHAT'S NEW IN THIS GUIDE

The 2005 edition of the U.S. Environmental Protection Agency's (EPA's) Quality Assurance (QA) Guide reflects the following changes:

- New federal laws and mandates.
- New requirements from the Office of Management and Budget (OMB), the Government Accountability Office (GAO), Department of Treasury, OMB Office of Federal Financial Management, the Chief Financial Officers Council (CFOC), and the Federal Accounting Standards Advisory Board (FASAB).
- Revised EPA guidance, policies, procedures, and directives.
- Modernization of EPA's accounting systems.
- Termination of certain accounting functions (such as the imprest fund).

PURPOSE OF THE GUIDE

The purpose of the QA Guide is to:

- Provide a resource to assist managers and staff in the oversight and control of financial operations.
- Provide a structure for conducting QA reviews of each servicing finance office's and program office's (with financial functions) compliance with internal control standards and relevant accounting principles/standards.
- Serve as a reference document and review tool for managers and reviewers to identify problems in their areas of responsibility.
- Provide suggested tools to: (1) test and evaluate the adequacy of financial management internal controls and (2) test the reliability and accuracy of general ledger accounts.
- Provide a methodology for conducting and managing EPA's Financial Management Quality Assurance Program (QA Program).

It is important to note that the review procedures in this Guide should not be applied rigidly or arbitrarily. In addition to exercising professional judgment and assessing the relevance appropriateness of test procedures to specific situations, the reviewer must also add, modify, or delete steps, as necessary. The materials included in the Guide are designed to serve as working tools and illustrations for efficiency purposes; they are not intended as a substitute for professional judgment that must be applied by the users. Further, the concept of reasonable assurance is particularly applicable. This concept recognizes that the cost of a quality assurance system should not exceed the expected benefits and that the evaluation of costs and benefits requires estimates and judgments made by reviewers as well as Agency management.

CONTENT AND ORGANIZATION OF THE GUIDE

This Guide provides information on the basic elements of the QA Program and the tools and techniques necessary to conduct quality assurance reviews. As indicated below, the first three chapters of the Guide provide broad guidance and background information; the fourth chapter is the “meat” of the document and provides more concrete details concerning QA Reviews.

CHAPTER 1 INTRODUCTION

This chapter discusses new features of this Guide and describes its purpose, content, and organization.

CHAPTER 2 LEGISLATIVE BACKGROUND

This chapter provides a description of the legislative basis for the QA Program.

CHAPTER 3 EPA’S QUALITY ASSURANCE PROGRAM

This chapter describes the QA Program, including standard operating procedures, timelines, roles and responsibilities, work plans, quality standards, and EPA’s management integrity process, or code of ethics.

CHAPTER 4 ACCOUNTING EVENT TEST PLANS

This chapter provides the tools and techniques to implement the operational review methodology. Detailed information captured in the test plans explains *how* to perform reviews. Test procedures and other review methodologies are organized into four major parts in this chapter:

Test Plan A: Analysis of General Control Environment

This test plan concentrates on areas that might be susceptible or vulnerable to risk. These areas may require closer review and more thorough testing in Test Plans B and C.

Test Plan B: Transaction Testing for Accounting Events

Fifteen sub-test plans (one test plan for each of the 15 basic accounting events) consist of control objectives and test procedures. The test plans represent a consolidation of relevant accounting standards prescribed by FASAB; related internal control considerations; and EPA procedures designed to enable EPA to meet prescribed requirements. Superfund transactions are processed in the same manner as non-Superfund transactions.

Test Plan C: Quality Assurance Review for Systems that Interface with the Integrated Financial Management System (IFMS)

EPA’s financial management systems are reviewed for conformance with the financial management requirements established in OMB Circular A-127-Revised. Financial Systems Staff (FSS) conducts the A-127 reviews with input from various offices.

Test Plan D: Superfund Cost Recovery Review

This test plan helps reviewers determine whether the necessary financial information for a comprehensive Superfund cost recovery package may be located, compiled, and organized in an accurate and timely manner.

CHAPTER 5 APPENDICES

The appendices provide supplementary and complementary information to previous chapters. A synopsis of each appendix follows.

Appendix A: Working Paper Preparation

This Appendix provides the purpose and function of working papers, work programs, and finding sheets. General consideration on the nature, extent, and content of documentation is emphasized.

Appendix B: Integrity Act Letter

This Appendix provides the quality assurance program reporting instructions. Also included is a sample Annual Assurance Letter (with supporting attachments) to the Director of the Office of Financial Management (OFM).

Appendix C: Terminology

This Appendix contains key terms in this Guide.

Appendix D: Federal Mandates and EPA Requirements Guiding QA Program

This Appendix provides a list of various laws, requirements and procedures with corresponding Web sites.

Appendix E: Acronyms

This Appendix provides a list of acronyms used in this Guide.

Legislative Background



To achieve its mission and fulfill its commitments to the public, EPA must develop and maintain effective internal control—that is, the Agency must institute processes, policies, and procedures for planning, organization, direction, control, and reporting.

The three objectives of internal control are:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Internal Control is Everyday Control

Instead of considering internal control as an isolated management tool, agencies should integrate their efforts to meet the requirements of the Integrity Act with other efforts to improve effectiveness and accountability.

Internal control should be an integral part of the entire planning, budgeting, management, accounting, and auditing cycle.

Internal control is therefore the basis of the Agency's QA Program and QA Guide. The importance of internal control is addressed in many statutes and executive documents. Foremost of these is the Federal Managers' Financial Integrity Act of 1982 (FMFIA, or Integrity Act, available at <http://www.whitehouse.gov/omb/financial/fmfia1982.html>), which establishes overall requirements with regard to internal control. OMB Circular A-123-Revised, *Management's Responsibility for Internal Control*, provides guidance on how to achieve desired program results and meet the requirements of the Integrity Act. The Government Accountability Office (GAO), GAO/AIMD-0021.3.1, *Standards for Internal Control in the Federal Government*, November 1999, provides agencies with the standards for internal control in the federal government.

The Integrity Act requires agencies to establish internal accounting and administrative controls in accordance with standards established by the Comptroller General and provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws and regulations.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Revenues and expenditures applicable to Agency operations are properly recorded and accounted for to allow the preparation of accounts and reliable financial and statistical reports.
- Accountability over assets is maintained.

To ensure compliance, the Integrity Act requires that each agency prepare two reports as part of the annual Assurance Letter for review by OMB and the Congress. The two reports are described as:

- A report (commonly known as the "Section 2" report) that determines whether there is reasonable assurance that the agency's controls will achieve the intended objectives. Material weaknesses must be identified.
- A report (commonly known as the "Section 4" report) that determines whether the agency's accounting system conforms with the government-wide requirements presented in OMB Circular A-127-Revised,

Financial Management Systems, Section 7. If the agency does not conform to the financial system requirements, the statement should discuss the agency's plans to bring its systems into compliance.

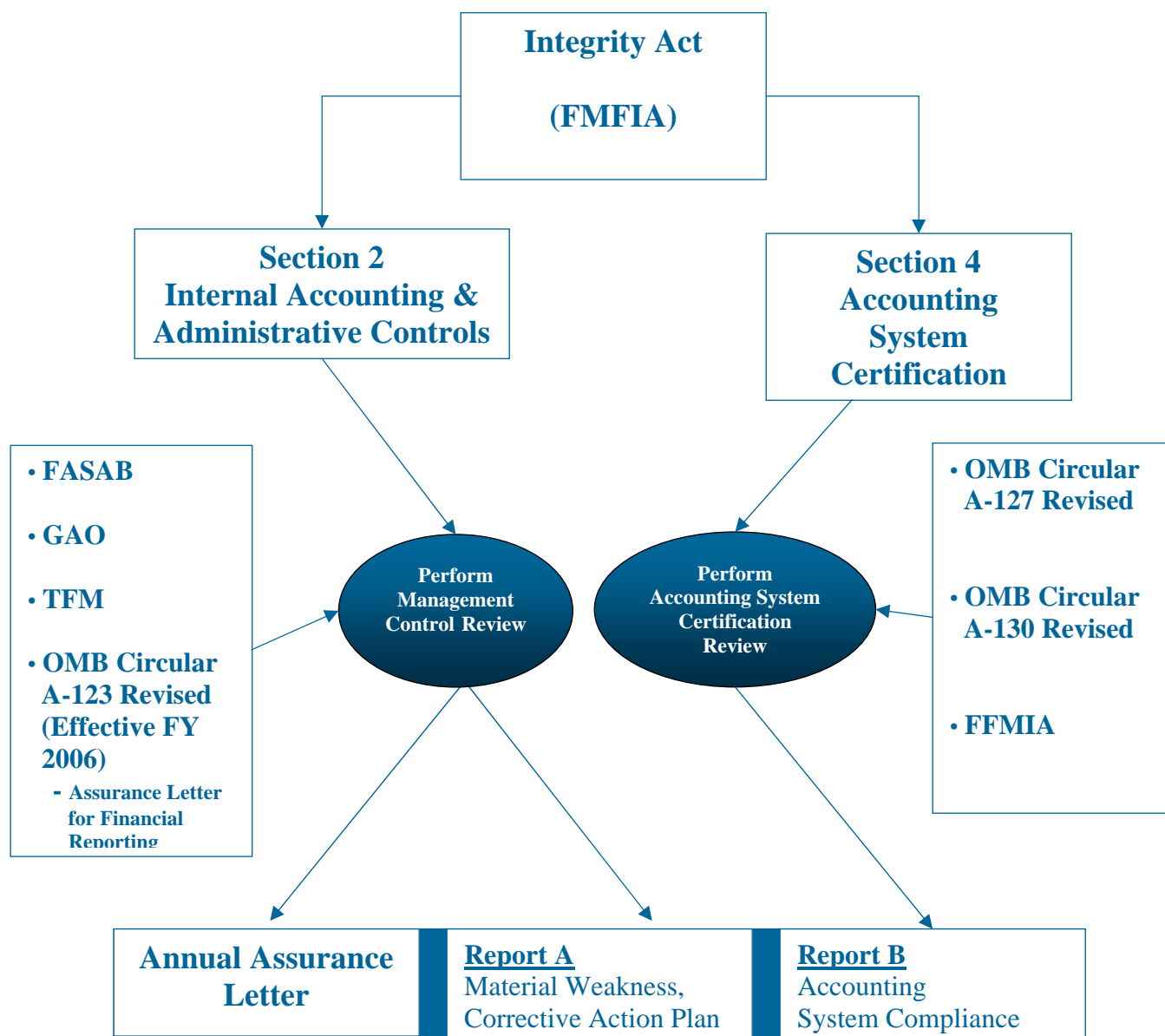
These reports should be based on evaluations conducted in accordance with:

- Office of Management and Budget (OMB) Circular A-123-Revised (Effective FY 2006), *Management's Responsibility for Internal Control*, available at <http://www.whitehouse.gov/omb/circulars/a123.html>.
- OMB Circular A-127-Revised, *Financial Management Systems*, available at <http://www.whitehouse.gov/omb/circulars/a127/a127.htm>.
- OMB Circular A-130-Revised, *Management of Federal Information Resources*, available at <http://www.whitehouse.gov/omb/circulars/a130/a130trans4.pdf>.
- OMB Circular A-136, *Financial Reporting Requirements*, available at <http://www.whitehouse.gov/omb/circulars/a136/a136.pdf>.
- Federal Financial Management Improvement Act (FFMIA), available at http://whitehouse.gov/omb/financial/ffs_ffmia.html.

For a more detailed summary of all the federal mandates and EPA requirements incorporated into the QA Program and the QA Guide, see Appendix D.

Exhibit 2-1 provides an overview of the Integrity Act certification process, and Exhibit 2-2 identifies key personnel and offices involved in the Integrity Act assurance letter flow.

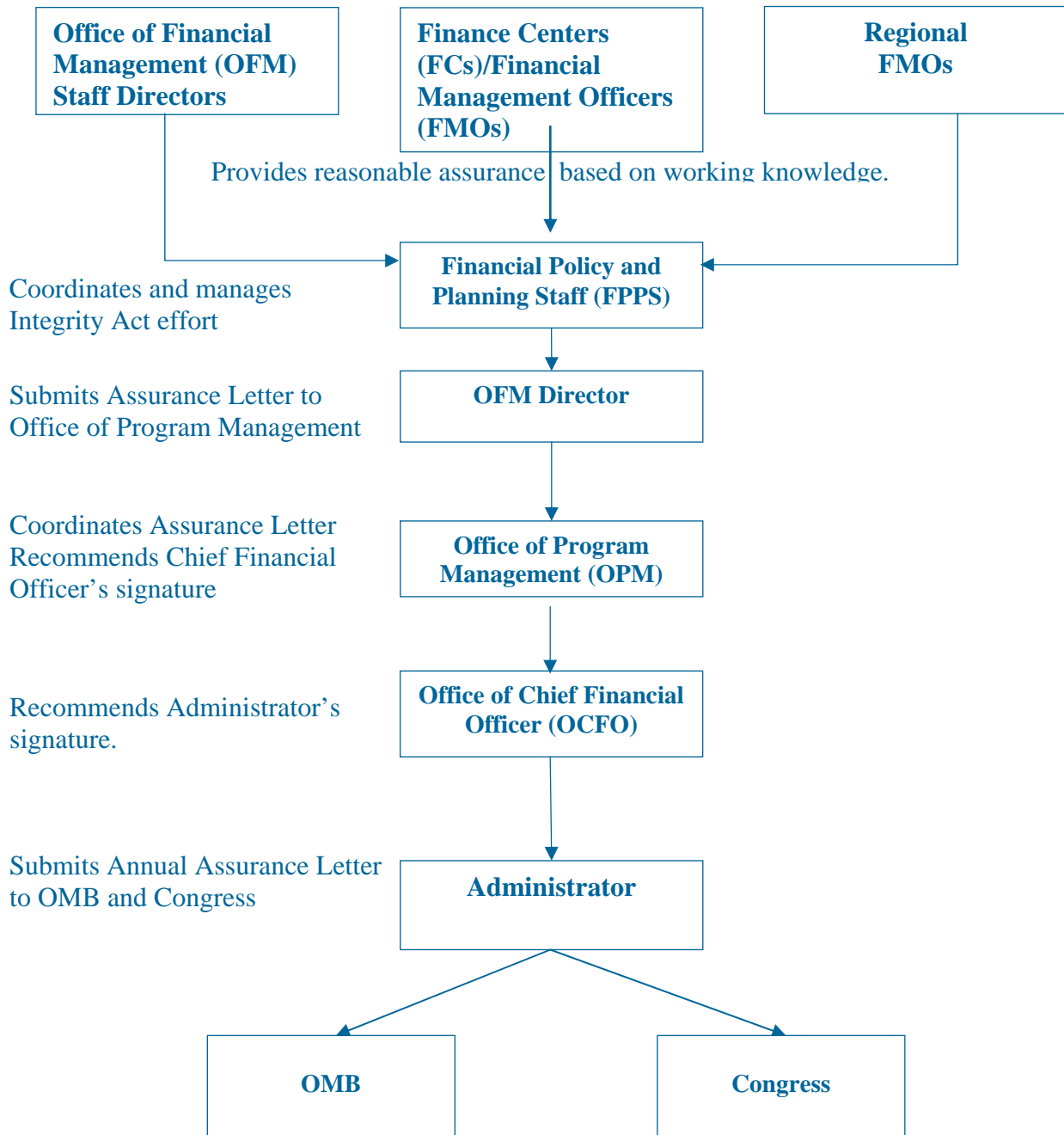
EXHIBIT 2-1
OVERVIEW OF INTEGRITY ACT PROCESS



Legend:

FASAB	Federal Accounting Standards Advisory Board
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
GAO	Government Accountability Office
TFM	Treasury Financial Manual

EXHIBIT 2-2
ANNUAL INTEGRITY ACT ASSURANCE LETTER FLOW



EPA's Quality Assurance Program



EPA's QA Program is a comprehensive Agency-wide program that follows a set of standard operating procedures, including preparing work plans (a list of phases and accounting events to test), testing accounting events, and conducting site visits to improve operations and identify weaknesses.

STANDARD OPERATING PROCEDURES

The following standard operating procedures form the basis of the QA Program:

- From March through November, EPA's Office of Inspector General (OIG) conducts a financial management audit of the entire Agency, including headquarters, regions, and finance centers (FCs) to evaluate EPA's internal controls. This audit consists of determining whether internal controls were in operation, assessing control risks, and performing tests of controls. Improper Agency processes or procedures are identified and reported to the Chief Financial Officer (CFO).
- In December, the Financial Policy and Planning Staff (FPPS) sends a memorandum to Regional Comptrollers, Financial Management Officers (FMOs), and Office of the Chief Financial Officer (OCFO) offices requesting their work plans for the current fiscal year.
- By the end of February, regional finance offices, finance centers, and OCFO offices submit work plans to FPPS.
- During February and March, FPPS reviews the work plans.
- By the end of March, OFM provides the regional finance offices, finance centers, and OCFO with its approval of their work plans.
- From March through the end of May, regional finance offices, finance centers, and certain OCFO offices evaluate their control environment and conduct their tests of applicable accounting events.
- At the end of June, regional finance offices and finance centers submit their annual reporting and certification to FPPS. These reports and certifications detail the accounting events they did and did not test, the results of the tests (whether there are deficiencies or no deficiencies), and their certification of whether their internal controls provided the assurances required under the FMFIA.
- In July, OFM submits the Annual Assurance Letter to the CFO.
- Annually, between February and August, OFM conducts its own QA site visits to regions and finance centers to determine the level of compliance with the QA Program guidelines and EPA policies and procedures; performs additional testing, if necessary; and determines what problems still exist. OFM notifies the FMO at the site of any deficiencies found during the site visits and makes recommendations to resolve the problems. For those problems that cannot be resolved during the site visits, OFM asks for corrective action plans. The review team plans for follow-up communication with the FMO to ensure that appropriate resolutions are implemented.
- In August, the CFO provides the Annual Assurance Letter to the Administrator.

Benefits of Quality Assurance

- Helps achieve optimum operating efficiency.
- Controls resources.
- Ensures accounting system conformance.
- Assists FCs with evaluation of internal control objectives, techniques, and related accounting principles and standards.

- In September, the Administrator submits the Annual Assurance Letter to OMB and Congress.

Timing and Coordination

- Proper coordination within each office, among offices, and between each office and headquarters is necessary for the smooth execution of the QA Program.
- Schedules must be coordinated to avoid quality assurance reviews during peak operating periods (e.g., year-end closing).
- Also, review dates should not conflict with audits or reviews by the EPA's Office of Inspector General (OIG) or other agencies (e.g., Government Accountability Office).

The phases for preparing the Annual Assurance Letter are shown in Exhibit 3-1.

EXHIBIT 3-1 PHASES FOR ANNUAL ASSURANCE LETTER

Date	Event
March-November	OIG conducts financial management audit.
December	FPPS sends memorandum requesting work plans.
February	Regions and finance centers send work plans to FPPS.
February-March	FPPS approves work plans.
March-May	Regions and finance centers conduct QA Testing.
June	Regions and finance centers submit certifications to FPPS.
July	OFM submits OFM's Annual Assurance Letter to CFO.
February-August	OFM conducts site visits to determine the level of compliance with the QA Program guidelines.
August	CFO provides OCFO Assurance Letter to Administrator.
September	Administrator submits Annual Assurance Letter to OMB and Congress.

QUALITY ASSURANCE PROGRAM GUIDELINES

The QA Guide does not require all financial management areas to be covered annually. For example, if previous testing and reviews of an area consistently found only insignificant non-compliance, offices may elect to forgo the review or perform a minor review of the area. However, if it is decided not to test a particular area, the rationale for not testing that area should be documented. This selective approach should provide more time for expanded reviews of more critical areas.

Be sure to document any actions taken to correct problems found during reviews. Sufficient work should be performed to identify the cause and magnitude of any problems that arise while using statistical sampling, where appropriate, and projecting error rates for this population. This analysis will determine the materiality to the financial statements so that effective corrective action plans can be designed and implemented. Transactions used in the sampling process to determine compliance with procedures must be adequately documented. The OIG may ask to see work papers in order to support the FMFIA certifications made to the Director, Office of Financial Management (OFM). When preparing the current fiscal year Quality Assurance Work Plan, please schedule the completion of all transaction testing by the May 31st certification date.

The roles and responsibilities for key personnel are provided in Exhibit 3-2.

EXHIBIT 3-2 **KEY PERSONNEL QA ROLES AND RESPONSIBILITIES**

Administrator
<ul style="list-style-type: none"> ▪ Reports annually to OMB and the Congress whether EPA's internal control systems comply with the Integrity Act. ▪ Reports on whether EPA's accounting system conforms to the Comptroller General's standards. ▪ Identifies material weaknesses or system non-conformance and offers corrective action plans.
Chief Financial Officer (CFO)
<ul style="list-style-type: none"> ▪ Coordinates EPA's efforts for evaluation and compliance with the Integrity Act. ▪ Provides guidance and training on the performance of the Agency Management Integrity process, internal control reviews, and other internal control activities. ▪ Ensures that appropriate internal control responsibilities are included in the performance agreements of EPA managers. ▪ Ensures that internal control reviews and annual status reports for internal control systems are completed according to appropriate guidance. ▪ Reports to the Administrator whether EPA's internal control evaluation indicated compliance with the Integrity Act and OMB Circular A-123-Revised. ▪ Reports to the Administrator whether EPA's financial systems review indicated compliance with the Integrity Act and OMB Circular A-127-Revised.
Assistant Regional Administrator/Senior Resource Official (ARA/SRO)
<ul style="list-style-type: none"> ▪ Provides leadership in establishing procedures and management control systems throughout EPA for national programs under his or her purview. ▪ Establishes procedures and systems for internal controls as required by the Integrity Act. ▪ Ensures that personnel are qualified and properly trained to make decisions for using and accounting for financial resources, and that funds are used in accordance with applicable laws. ▪ Ensures that audit tracking systems and quality assurance procedures are in place to validate the appropriate completion and reporting of corrective action in EPA's Management Audit Tracking System (MATS). ▪ Identifies management control weaknesses that need reporting to the Administrator and OMB and develops corrective action plans to address identified deficiencies.

Director, Office of Financial Management (OFM)

- Develops, issues, and implements policies and procedures for evaluating, improving, and reporting on financial management and accounting systems.
- Maintains liaison with OMB, GAO, and others on evaluating, improving, and reporting processes.
- Monitors actions on reported material weaknesses and non-conformance to ensure prompt and effective actions.
- Prepares and submits OFM's annual Assurance Letter to the CFO.
- Acts as the National Program Officer to implement the Integrity Act requirements for EPA financial management systems.
- Implements the QA Program throughout EPA financial management organizations.
- Develops, issues, and implements QA Program guidance for evaluating, improving, and reporting on financial management and accounting systems.
- Schedules periodic Quality Assurance Reviews (QARs) throughout the EPA SFOs.
- Ensures follow-up and resolution of QAR team recommendations.

Regional Comptroller (RC)/ Financial Management Officer (FMO)/Finance Center (FC) Director

- Develops and implements plans for management control and quality assurance within their regions.
- Oversees internal control evaluations and other QA initiatives.
- Implements the QA Program in their respective office.
- Participates in QARs conducted in their respective office.
- Designates a QA liaison to conduct and coordinate QARs in their office.
- Prepares annual QA Work Plan.
- Provides annual Integrity Act certification on internal control systems.
- Ensures that corrective action is taken on recommendations resulting from QAR reports.
- Notifies the Director of OFM on corrective action taken to implement recommendations of QAR team reports.

Quality Assurance Review (QAR) Team

- Assists financial managers in implementing QA initiatives.
- Schedules and conducts the QARs.
- Develops QAR findings and recommendations for corrective actions.
- Prepares and submits QAR reports.
- Ensures follow-up and resolution of QAR team recommendations.
- Provides QA Program support to Agency financial managers.

Financial Policy and Planning Staff (FPPS)

- Develops guidance and procedures for evaluating internal control systems.
- Coordinates EPA Integrity Act process for financial management activities.
- Establishes QA processes in the financial management offices throughout EPA.
- Develops training materials necessary for financial managers to implement the QA Program in their organizations.
- Nominates employees to serve on QAR teams.

Financial Policy and Planning Staff (FPPS)

- Oversees internal control evaluations and other QA initiatives.
- Schedules and conducts QARs in financial management offices throughout EPA.
- Ensures follow-up and resolution of QAR recommendations.

WORK PLANS AND TESTING

The development of a work plan is one of the critical steps in the overall quality assurance process. A work plan describes the activities to be used to evaluate the finance office or finance center's (FC) control environment and to perform applicable accounting events.

A sample work plan template is provided as Exhibit 3-3. This sheet will help finance offices and centers indicate the frequency of testing performed for the control environment and each basic accounting event and the fiscal years they are to be performed. This template is optional and provides basic information recommended for inclusion in your work plan. A work plan to record dates and identify deficiencies is provided in Exhibit 3-4. This form will allow finance offices and finance centers to track deficiencies and the planned dates for starting and completing the correction of the deficiencies. Exhibit 3-5 shows the financial components of Test Plans A, B, and C and their relationship to a work plan.

Test plans, which are discussed in detail in Chapter 4, should be an integral part of the work plan. To operate efficiently, testing should be planned in advance and occur periodically throughout the year. The tests should be conducted with the goal of identifying areas that require corrective action. In addition, the tests should be structured to support the annual certification report sent to the Director of OFM. Testing should be scheduled and completed prior to the fourth quarter of each fiscal year.

The test plan is the starting point in the documentation of any review or audit. A test plan, or work program, can take a variety of forms and styles. This QA Guide includes two basic types of test plans: questionnaires (Test Plans A and C) and test procedures (Test Plan B).

Sampling may be used during the testing phase. Sampling involves examining a portion of the data to reach a conclusion about the entire body of data. All sampling involves judgment in planning and performing the sampling procedure, as well as in evaluating the results of the sample.

Once the decision has been made to use sampling, the reviewer may choose between statistical and non-statistical sampling. This choice is primarily a cost benefit consideration. Additional information on cost benefit is available in the *Government Accountability Office/President's Council on Integrity and Efficiency (GAO/PCIE) Financial Audit Manual (including July 2004 updates)* under Testing Phase, Section 450 – Sampling Control Test at http://www.gao.gov/special.pubs/gaopcie/vol1_section400.pdf. If sampling is used, some sampling risk is always present.

Non-statistical sampling is judgmental sampling. Judgmental sampling allows the reviewer to examine specific transactions. Non-statistical sampling does not permit the reviewer to make a judgment for the total population of transactions. Non-statistical sampling only identifies specific errors or exceptions for the limited amount of transactions that are examined. The reviewer must limit his comments to the transactions

that have been analyzed. Non-statistical sampling is any sampling procedure that does not measure the sampling risk.

Statistical sampling uses the laws of probability to measure sampling risk. Statistical sampling helps the reviewer to:

1. Design an efficient sample
2. Measure the sufficiency of evidential matter obtained
3. Evaluate the sample results

By using statistical theory, the reviewer can quantify sampling risk to facilitate limiting it to an acceptable level. The reviewer should select the sample in such a way that the sample can be expected to be representative of the population or the stratum from which it is selected.

The choice of statistical or non-statistical sampling does not directly affect the evidential matter a reviewer obtains with respect to individual items in the sample, or the actions that might be taken in light of the nature and cause of particular misstatements.

Keep Papers on Site

Work plans are an integral part of "working papers" (any papers that serve as tools to aid the performance of review work and as written evidence of the work performed) and should be maintained at the local site where the reviews are actually conducted.

EXHIBIT 3-3
QUALITY ASSURANCE REVIEW TRACKING SYSTEM

Types of Quality Assurance Review	Risk Level	Reviewer	Beg. Date	End Date	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Accounts Payable										
Accounts Receivable										
Payroll Processing										
Fund Balance with Treasury										
Disbursements										
Government-wide Credit Card										
Property, Plant, and Equipment										
Interagency Agreements										
Grants and Cooperative Agreements										
Collections and Deposits										
Advances and Prepayments										
Financial Reporting										
Funds Control										
Travel Expenses and Reimbursements										
Claims Against the Government										
Other Types of Reviews Performed										
Total Reviews										

Notes:

C= Completed

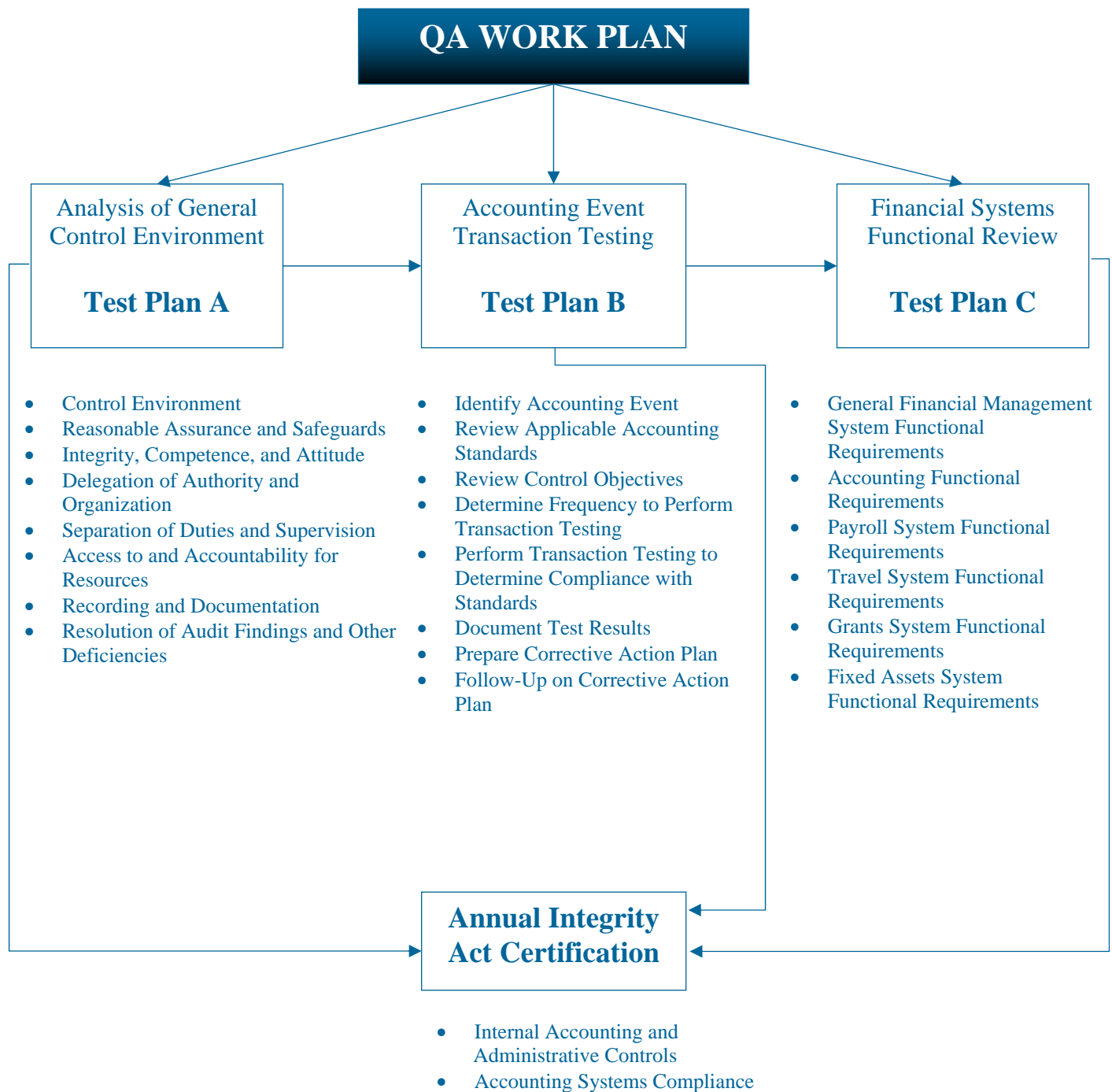
P= Planned

I = In Process

EXHIBIT 3-4
QA WORK PLAN - PHASES & IDENTIFIED DEFICIENCIES SCHEDULE

FISCAL YEAR _____	Identified Deficiencies Working Paper References	Start Date		Completion Date	
		Planned	Actual	Planned	Actual
TEST PLAN A - Analysis of General Control Environment					
TEST PLAN B - Transaction Testing for Accounting Events					
Accounts Payable					
Accounts Receivable					
Payroll Processing					
Fund Balance with Treasury					
Disbursements					
Government-wide Credit Card					
Property, Plant, and Equipment					
Interagency Agreements					
Grants and Cooperative Agreements					
Collections and Deposits					
Advances and Prepayments					
Financial Reporting					
Funds Control					
Travel Expenses and Reimbursements					
Claims Against the Government					
TEST PLAN C - Quality Assurance Review for Systems that Interface with the Integrated Financial Management System (IFMS) (Financial Systems Staff coordinates review)					

EXHIBIT 3-5
FINANCIAL COMPONENTS OF EPA QA PROGRAM



QUALITY STANDARDS

In addition to following the standard operating procedures outlined as part of the QA Program, government officials entrusted with handling public resources must establish and implement quality standards in all financial management activities. As part of their everyday work, officials and staff are responsible for establishing and maintaining effective controls to ensure that the resources are safeguarded; laws and regulations are followed; and reliable data are obtained, maintained, and fairly disclosed.

Benefits of Quality Standards

Adherence to quality standards offers EPA the following benefits:

- Reasonable assurance for financial results
- Advance warning of potential problems
- Increased proficiency
- Greater objectivity
- An effective training tool
- Increased morale and better motivated personnel

EPA's quality standards listed in Exhibit 3-6 are intentionally general to allow financial managers the flexibility to tailor specific control procedures to unique aspects of their organizations. In addition, the standards are interdependent, which means following them requires planning and coordination. The standards can assist managers as they establish the framework for implementing the QA Program and meeting applicable requirements.

EXHIBIT 3-6 EPA'S SIX QUALITY STANDARDS

1. Plan	Managers will maintain a planning system that will highlight goals and objectives, including specific tasks aimed at meeting these goals and objectives. Each manager is responsible for ensuring that financial services are performed as efficiently and effectively as possible. Execution of this responsibility requires a planning process designed to promote accuracy, efficiency, and effectiveness while at the same time providing for the integrity of the management of public funds with minimal commitment of resources.
2. Organize	Managers will organize office activities and functions to assure that the resources are efficiently and effectively used and duties and responsibilities are clearly assigned and appropriately segregated within their offices. The organizational structure should foster coordination, balance, and integration of activities. For example, position descriptions should be consistent with EPA policies and procedures. Also, the organizational structure should be constructed to ensure that proper segregation of duties is maintained.
3. Supervise	Managers will direct and monitor finance office activities to ensure that all activities are adequately supervised and performance is consistent with professional standards. Proper supervision is required on an ongoing basis. This supervision includes making certain that personnel understand the nature, scope, content, and timing of the work assignments as well as the expected end products. It also includes sufficient interim checks to determine whether jobs are on schedule and are being executed in accordance with plans. The actual amount of supervision may vary based on resources available, complexity and sensitivity of the work, and staff experience.
4. Coordinate	Managers will ensure that activities are sufficiently coordinated among their staff and with the appropriate field and Headquarters offices. Adequate coordination of the work planned and in process is necessary so that effective and efficient use is made of the limited resources available and to avoid duplication of effort within the organization.
5. Document	Managers will develop files to support the program reviews conducted and the annual submission of the Integrity Act letter. Policies and procedures for maintaining working paper files should be established to provide management with reasonable assurance that the work performed meets EPA's quality standards. Working papers should contain sufficient information to enable an independent reviewer with no prior knowledge of the organization's operations to ascertain from them the evidence that supports the manager's conclusions and findings. Appendix A of this Guide contains more detailed information regarding the preparation of working papers.
6. Train	Agency managers will ensure that their staffs possess the knowledge, skills, and abilities needed to accomplish EPA's financial mission. Minimum qualifications or standards for each government series are specified by the Office of Personnel Management (OPM). In addition to these minimum qualifications, staff should possess the required and desired skills that are unique to specific jobs and functions.

To ensure that EPA's QA Program is effective and in compliance with federal laws, a summary of the new standards stated in OMB's Circular A-123-Revised, *Management's Responsibility for Internal Control* (Effective FY 2006) is provided below as guidance and to emphasize to managers the importance for internal control in all financial activities.

OMB'S CIRCULAR A-123-REVISED INTERNAL CONTROL STANDARDS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Internal control includes the organizational plan, methods, and procedures adopted by management to meet its goals. Internal control includes processes for planning, organizing, directing, controlling, and reporting on agency operations.

The three objectives of internal control are:

- Effective and efficient operations
- Reliable financial reporting
- Compliance with applicable laws and regulations

All of these objectives help to ensure the safeguarding of assets. Internal control should be designed to provide reasonable assurance regarding prevention of or prompt detection of unauthorized acquisition, use, or disposition of assets. To meet the objectives, management is responsible for developing and maintaining internal control activities that comply with the following standards:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

A. CONTROL ENVIRONMENT

The control environment is the organizational structure and culture created by management and employees to sustain organizational support for effective internal control. When designing, evaluating, or modifying the organizational structure, management must clearly demonstrate its commitment to competence in the workplace. Within the organizational structure, management must: clearly define areas of authority and responsibility; appropriately delegate the authority and responsibility throughout the agency; establish a suitable hierarchy for reporting; support appropriate human capital policies for hiring, training, evaluating, counseling, advancing, compensating, and disciplining personnel; and uphold the need for personnel to possess and maintain the proper knowledge and skills to perform their assigned duties and understand the importance of maintaining effective internal control within the organization.

The organizational culture is also crucial within this standard. The culture should be defined by management's leadership in setting values of integrity and ethical behavior, but is also affected by the relationship between the organization, central oversight agencies, and Congress. Management's philosophy and operational style will set the tone within the organization. Management's commitment to establishing and maintaining effective internal control should cascade down and permeate the organization's control environment to aid in the successful implementation of internal control systems.

B. RISK ASSESSMENT

Management should identify internal and external risks that may prevent the organization from meeting its objectives. When identifying risks, management should take into account relevant interactions within the organization as well as with outside organizations. Management should also consider previous findings (e.g., auditor identified, internal management reviews, or noncompliance with laws and regulations when identifying risks). Identified risks should then be analyzed for their potential effect or impact on the agency.

C. CONTROL ACTIVITIES

Control activities include the policies, procedures, and mechanisms in place to help ensure that agency objectives are met. Several examples include: proper segregation of duties (separate personnel with authority to authorize, process, and review a transaction); physical controls over assets (limited access to inventories or equipment); proper authorization; appropriate documentation; and access to that documentation.

Internal control also needs to be in place over information systems—general and application control. General control applies to all information systems such as the mainframe, network, and end-user environments, and includes agency-wide security program planning, management, control over data center operations, system software acquisition and maintenance. Application control should be designed to ensure that transactions are properly authorized and accurately processed and that the data is valid and complete. Controls such as edit checks should be established at an application's interfaces to verify inputs and outputs. General and application controls over information systems are interrelated—both are needed to ensure complete and accurate information processing. Due to the rapid changes in information technology, controls must be adjusted to remain effective.

D. INFORMATION AND COMMUNICATIONS

Information should be communicated to relevant personnel at all levels within an organization. The information should be relevant, reliable, and timely. It is also crucial that an agency communicate with outside organizations, whether providing information or receiving it. Examples include receiving updated guidance from central oversight agencies; management communicating requirements to the operational staff; and operational staff communicating with the information systems staff to modify application software to extract data requested in the guidance.

E. MONITORING

Monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of regular assigned

personnel duties. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations. If an effective continuous monitoring program is in place, it can level the resources needed to maintain effective internal controls throughout the year.

Deficiencies found in internal control should be reported to the appropriate personnel and management responsible for that area. Deficiencies identified, whether through internal review or by an external audit, should be evaluated and corrected. A systematic process should be in place for addressing deficiencies.

Accounting Event Test Plans



This chapter contains information about each of the following accounting event test plans:

- A. Analysis of General Control Environment
- B. Transaction Testing for Accounting Events
- C. Quality Assurance Review for Systems that Interface with the Integrated Financial Management System (IFMS)
- D. Superfund Cost Recovery Review

For each of these test plans, background information such as purpose, basis, content, execution, and results is presented, followed by specific questions to be answered, in questionnaire or test procedure format.

TEST PLAN A: ANALYSIS OF GENERAL CONTROL ENVIRONMENT

PURPOSE

The eight questionnaires in Test Plan A should determine whether adequate management controls exist and have been implemented to achieve cost-effective compliance with requirements. The questionnaires will provide a general analysis of the financial control environment.

BASIS

Office of Management and Budget (OMB) Circular A-123-Revised (Effective FY 2006), *Management's Responsibility for Internal Control*, provides the basis for the questionnaires in this test plan.

OMB Circular A-123 - Revised defines management controls as the organization, policies, and procedures used by agencies to reasonably ensure that the following occurs:

- Programs achieve their intended results
- Resources are used in a manner consistent with agency missions
- Programs and resources are protected from waste, fraud, and mismanagement
- Laws and regulations are followed
- Reliable information is obtained, maintained, reported, and used for decision making

Accounting Events (Basic)

- Accounts Payable
- Accounts Receivable
- Payroll Processing
- Fund Balance with Treasury
- Disbursements
- Government-wide Credit Card
- Property, Plant, and Equipment
- Interagency Agreements
- Grants and Cooperative Agreements
- Collections and Deposits
- Advances and Prepayments
- Financial Reporting
- Funds Control
- Travel Expenses and Reimbursements
- Claims Against the Government

Agency managers should incorporate basic management controls in the strategies, plans, guidelines, and procedures that govern their programs and operations.

CONTENT

Each questionnaire contains fundamental questions related to its respective circular control standard. The majority of questions are constructed in a “Yes” or “No” answer format. Some questions require a narrative answer or description of a process or procedure. For all questions, space is provided for comments or other explanation.

The test plan for the analysis of general control environment consists of two sets of questionnaires, as follows:

- General Management Control Standards
 - ✓ A-1 Control Environment
 - ✓ A-2 Reasonable Assurance and Safeguards
 - ✓ A-3 Integrity, Competence, and Attitude
- Specific Management Control Standards
 - ✓ A-4 Delegation of Authority and Organization
 - ✓ A-5 Separation of Duties and Supervision
 - ✓ A-6 Access to and Accountability for Resources
 - ✓ A-7 Recording and Documentation
 - ✓ A-8 Resolution of Audit Findings and Other Deficiencies

EXECUTION

To adequately address the questions in the questionnaires, several steps must be taken to evaluate information from various sources:

STEP	ACTION
1.	Conduct interviews with personnel.
2.	Observe operational procedures actually being performed.
3.	Review relevant documentation, including policies and procedures, review reports, desk procedures, organizational charts, management directives, and position descriptions.
4.	Perform transaction testing to assess the system's ability to process accurate, valid data and reject consistently invalid data. Testing should incorporate the full cycle of transactions, including transaction initiation, its processing through the system, and its ultimate posting to the accounts or inclusion in output reports.
5.	Coordinate test plans to achieve maximum efficiency and effectiveness of testing.

Most of the questions in this test plan are provided in a “Yes” or “No” format. Professional judgment must be exercised in determining the appropriate answer. One reviewer might conclude that the most appropriate

answer is “Yes.” Another reviewer, under the same circumstances, might conclude that the appropriate answer is “No.” Further, cost benefit considerations come into play when determining the adequacy and sufficiency of testing procedures conducted. The cost of testing should not exceed the benefits derived from testing. A standard of reasonableness dictates that adequate testing has been performed to allow a reviewer to reach an opinion.

An analysis of the general control environment will highlight areas that might be susceptible or vulnerable to risk, which could require closer review and more thorough testing. Accordingly, review of other test plans is important for the overall effectiveness and efficiency of the quality assurance review. The results of conducting the general control questionnaires might impact the execution of the other test plans and vice versa.

RESULTS

Agency managers are responsible for taking timely and effective action to correct deficiencies identified during the course of reviews. Correcting deficiencies is an integral part of management accountability and must be considered a priority by EPA. Depending on the severity of the deficiency, reporting and tracking will vary.

The EPA Administrator determines a deficiency in financial management operations to be “material” when weighed against other Agency deficiencies. The issue should be included in the annual Integrity Act report in the same manner as material weaknesses. The deficiencies that are deemed material must be reported and tracked as part of the annual Assurance Letter submission. For deficiencies that are not included in the Integrity Act report, a corrective active plan should be developed and tracked internally at the appropriate level of managerial responsibility.

A determination that a deficiency has been corrected should be made only when sufficient corrective action has been taken and the desired results achieved. This determination should be in writing and, along with other appropriate documentation, should be available for review by appropriate officials. In order to facilitate analysis and identification of control deficiencies, test results from the eight questionnaires should be summarized.

A suggested collection and analysis tool is presented in Exhibit 4-1. The purpose of the schedule in this exhibit is to highlight questions with “No” answers and, where merited, develop and track corrective actions.

EXHIBIT 4-1

[illegible]

QUESTIONNAIRE A-1: CONTROL ENVIRONMENT

The control environment is the organizational structure and culture created by management and employees to sustain organizational support for effective internal control. When designing, evaluating, or modifying the organizational structure, management must clearly demonstrate its commitment to competence in the workplace. Within the organizational structure, management must: clearly define areas of authority and responsibility; appropriately delegate the authority and responsibility throughout the agency; establish a suitable hierarchy for reporting; support appropriate human capital policies for hiring, training, evaluating, counseling, advancing, compensating, and disciplining personnel; and uphold the need for personnel to possess and maintain the proper knowledge and skills to perform their assigned duties as well as understand the importance of maintaining effective internal control within the organization.

1a.	Does the internal control system ensure compliance with applicable laws and regulations?	YES	NO
1b.	How is the non-compliance with applicable laws and regulations prevented?		
2.	Does the organizational structure accommodate compliance with federal regulations and EPA policies?	YES	NO
3.	Are accounting policies and procedures consistent with applicable laws and regulations?	YES	NO
4.	Do operational accounting policies and procedures adhere to the following EPA guidelines:		
a.	Office of Chief Financial Officer policy announcements?	YES	NO
b.	Resource management directives?	YES	NO
5.	Are the delegations of authority consistent with the applicable laws?	YES	NO
6.	Is the information pertaining to applicable guidelines and requirements, e.g., OMB Circular A-123-Revised (Effective FY 2006), communicated to applicable employees?	YES	NO
7a.	Are accounting operations in compliance with the Anti-Deficiency Act?	YES	NO

7b. Describe steps taken to comply with the Anti-Deficiency Act.		
8. Do accounting operations adhere to the Comptroller General's Standards?	YES	NO
9. Are accounting operations in compliance with the FASAB standards?	YES	NO
10a. Are performance measures developed for accounting functions and activities carried out by the organizational unit (in accordance with the GPRA)?	YES	NO
10b. If performance measures are not available, how is the performance of accounting operations measured?		

QUESTIONNAIRE A-2: REASONABLE ASSURANCE AND SAFEGUARDS

This general internal control standard requires that management controls provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Management controls developed for EPA programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives. Written strategies, policies, guidelines, procedures, and performance measures should be developed to achieve EPA's mission.

The standard of reasonable assurance recognizes that the cost of internal control should not exceed the benefits derived. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks. The required determinations call for judgment to be exercised. In exercising that judgment, EPA managers should:

- Identify risks inherent in Agency operations
- Identify criteria for determining low, medium, and high risks
- Identify acceptable levels of risk under varying circumstances
- Assess risks both quantitatively and qualitatively

Cost refers to the financial measure of resources consumed in accomplishing a specified purpose. Cost can also represent a lost opportunity—a delay in operations, a decline in service levels or productivity, or low employee morale. A benefit is measured by the degree to which the risk of failing to achieve a stated objective is reduced.

1.	Does the internal control system detect waste, fraud, abuse, or errors?	YES	NO
2.	Does the internal control system aid in preventing improper activity?	YES	NO
3.	Do the controls in place aid in complying with the applicable regulations?	YES	NO
4.	Does the internal control system encourage adherence to EPA policies and procedures?	YES	NO
5.	Does the internal control system assist in identifying the inherent risk in the organizational unit's financial operations?	YES	NO
6.	Does the internal control system provide reasonable assurance that persons performing key functions are executing their responsibilities properly?	YES	NO
7.	Do the benefits exceed the costs to implement the internal control system?	YES	NO

QUESTIONNAIRE A-3: INTEGRITY, COMPETENCE, AND ATTITUDE

Managers and employees must have personal integrity and are obligated to support ethics programs. The spirit of the Standards of Ethical Conduct requires that EPA personnel develop and implement effective internal controls and maintain a level of competency that allows them to accomplish their assigned duties. Effective communication within and between offices should be encouraged.

Managers who possess a good understanding of internal controls are vital to effective control systems. Hiring and staffing decisions should include pertinent verification of education and experience and, once on the job, the individual should be given the necessary formal and on-the-job training. Counseling and performance appraisals are also important. Overall performance appraisals should be based on an assessment of many critical factors, including the implementation and maintenance of effective internal controls.

Attitude is not reflected in any one particular aspect of actions by managers, but is fostered by the commitment of managers to achieving strong controls through (1) actions concerning EPA organization, (2) personnel practices, (3) communication, and (4) protection and use of resources. Systematic accountability, monitoring, and general leadership serve as facilitators.

1a.	Is internal control implementation a high priority at all management levels?	YES	NO
1b.	How is the management priority for internal control implementation conveyed and enforced?		

2a.	Has management's commitment to strong internal control been communicated to the employees?	YES	NO
2b.	When was the last communication made to employees?		

3a.	Are there written communications to implement the internal control system?	YES	NO
3b.	How often are these written communications made available to employees responsible for maintaining the system of internal control and when was the last update?		

4.	How are the procedures prescribed by the internal control system implemented?		
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5a.	What is the frequency of the internal control system evaluation and the resulting improvement?		
5b.	What areas are covered by the internal control evaluations?		

6a.	Are all levels of management fully participating in the internal control process to ensure that prescribed procedures are actually followed (e.g., employees do not use shortcuts to by-pass internal controls)?	YES	NO
6b.	How is non-compliance with internal controls prevented?		

7.	How often are audit findings/recommendations and other reported deficiencies monitored and corrected?		
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8a.	Does management encourage employees to make suggestions to improve internal controls?	YES	NO
8b.	Are employee suggestions implemented?	YES	NO
8c.	Is there a list of employee suggestions and implementations?	YES	NO
8d.	How often do employees offer their suggestions?		

9.	Do personnel exhibit high standards of integrity?	YES	NO
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10.	Do employees understand the importance of internal control in executing their responsibilities?	YES	NO
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11a.	Does documentation exist for the knowledge, skills, and abilities (KSAs) required for financial management positions?	YES	NO
11b.	Do the financial management personnel meet EPA's KSAs criteria to perform their functions?	YES	NO

12a.	Is there a training program in effect to improve and maintain employee competence and skills?	YES	NO
12b.	Is the training program effective in meeting the required KSAs?	YES	NO

13a.	Will core training requirements for financial management personnel improve competence and keep personnel knowledge and skill levels current?	YES	NO
13b.	If no, how can it be improved?		
14.	Is there an Individual Development Plan (IDP) for financial management personnel?	YES	NO
15a.	Are position descriptions and performance agreements kept current?	YES	NO
15b.	If yes, when was the last update?		
16.	Provide the staff turnover rate (number of personnel who left EPA/authorized full-time equivalents (FTE)) and vacancy rate (number of open FTE/authorized FTE).		

QUESTIONNAIRE A-4: DELEGATION OF AUTHORITY AND ORGANIZATION

Managers should ensure that appropriate authority, responsibility, and accountability are delegated to accomplish the mission of the organization. Also, managers must ensure that an appropriate organizational structure is established to effectively implement program responsibilities. To the extent possible, controls and related decision making authority should be granted to line managers and staff.

The organization of an agency provides its management with the overall framework for planning, directing, and controlling its operations. Good management control requires clear lines of authority and responsibility as well as appropriate reporting relationships.

1a.	Does the organizational unit have the authority and responsibility to achieve its goals and objectives?	YES	NO
1b.	Does the organizational unit have the resources to achieve its goals and objectives?	YES	NO
Explanation			
2.	Does the servicing finance office (SFO) organization chart identify functions to be performed by each organizational unit?	YES	NO
3.	Are reporting and responsibility relationships well defined, documented, and operationally effective?	YES	NO
4.	Is the organizational unit held accountable for the results of its operations?	YES	NO
5.	Does the office have a manual that includes:		
a.	A mission statement at the SFO level?	YES	NO
b.	A mission statement for each section within the office?	YES	NO
c.	A list of each employee who has spending authority?	YES	NO
d.	A list of employee authorities and responsibilities (functions)?	YES	NO
6.	Is the organizational structure flexible to accommodate federal regulations and EPA policies?	YES	NO
7.	Are employee duties and responsibilities clearly delineated?	YES	NO
8.	Do delegations of authority exist in writing?	YES	NO
9.	Are all personnel fully aware of and do they clearly understand the delegations of authority and responsibilities that apply to them?	YES	NO
10.	Do delegations of authority include sufficient authority to effectively carry out responsibilities?	YES	NO

11.	Are the delegations of authority flexible enough to accommodate regulatory changes?	YES	NO
12a.	Do delegations of authority avoid overlap or duplication of responsibilities?	YES	NO
12b.	How are conflicts resulting from duplicate delegations of authority avoided?		
12c.	Are employees kept informed of any rescissions of delegations of authority and responsibilities?	YES	NO

QUESTIONNAIRE A-5: SEPARATION OF DUTIES AND SUPERVISION

Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

To reduce the risk of error, waste, or wrongful acts or to reduce the risk of undetected problems, no one individual should control all key aspects of a transaction or an event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

Key duties include:

- Authorizing, approving, and recording transactions
- Issuing and receiving assets
- Making payments
- Reviewing or auditing transactions

Supervisors should continuously review and approve the assigned work of their staffs. Supervisors should also provide their staffs with the necessary guidance and training to help ensure that errors, waste, or wrongful acts are minimized and that specific management directives are achieved.

Assignment, review, and approval of staff work should result in the proper processing of transactions and events to (1) follow approved procedures and requirements, (2) detect and eliminate errors, misunderstandings, and improper practices, and (3) discourage occurrence and reoccurrence of wrongful acts.

1.	Are duties and responsibilities assigned systematically to a number of individuals to ensure that effective checks and balances exist?	YES	NO
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2.	Are responsibilities assigned so that no one single individual can control a transaction from beginning to end?	YES	NO
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3.	Have the following key duties been separated:		
a.	Authorizing, approving, and recording transactions?	YES	NO
b.	Receiving goods and services, and making payments?	YES	NO
c.	Receiving cash and making deposits?	YES	NO

4.	Are files and supporting documentation periodically reviewed and kept current?	YES	NO
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5a.	Have the program activities (e.g., accounts receivable) been audited in the last three years?	YES	NO
5b.	Please identify the program activities and their date of last audit.		

6a.	Are reviews conducted to ensure that policies and procedures are efficient and effective in accomplishing the organizational unit's mission?	YES	NO
6b.	What is the frequency of such reviews? When was the last review conducted?		

7a.	Does the organizational unit have quality assurance review procedures in place?	YES	NO
7b.	How often are quality assurance reviews performed? Provide the date of the last quality assurance review.		

QUESTIONNAIRE A-6: ACCESS TO AND ACCOUNTABILITY FOR RESOURCES

Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained. Periodic comparison should be made of the resources with the recorded accountability to determine discrepancies. The frequency of the comparison depends on the vulnerability of the asset.

Restricting access to resources helps to reduce the risk of unauthorized use or loss to the government. The restriction depends upon the vulnerability of the resource and the perceived risk of loss, both of which should be periodically assessed.

Other factors affecting access include the cost, portability, exchangeability, and the perceived improper use of the resource. In addition, it is important to assign and maintain accountability for resources. Managers must direct and communicate responsibility to specific individuals within an agency for the custody and use of resources.

1.	Is access to all resources (assets) and records, automated and manual, limited to authorized individuals?	YES	NO
2.	Is accountability for the custody and use of resources maintained by different individuals?	YES	NO
3a.	Is the inventory compared to the records to ascertain accuracy?	YES	NO
3b.	Is frequency of these periodic comparisons based on the nature of assets?	YES	NO
3c.	How often is property inventory taken? When was the last review?		
4.	Do written communications exist for the following functions:		
a.	Accessing assets?	YES	NO
b.	Assigning accountability for resources?	YES	NO
c.	Maintaining custody of assets?	YES	NO

QUESTIONNAIRE A-7: RECORDING AND DOCUMENTATION

Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, internal controls, and other significant events must be clear and readily available for examination.

Transactions must be promptly recorded if pertinent information is to maintain its relevance and value to management in controlling operations and making decisions. This standard applies to (1) the entire process or life cycle of a transaction or event, including the initiation and authorization, (2) all aspects of the transaction while in process, and (3) its final classification in summary records. Proper classification of transactions and events is the organization and format of information on summary records from which reports and statements are prepared.

Complying with this standard requires that the documentation of internal control systems and transactions and other significant events be purposeful and useful to (1) managers controlling their operations, and (2) auditors or others involved in analyzing operations.

1.	Are policies and procedures consistent with applicable laws and regulations?	YES	NO
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2a.	Are policies and procedures communicated through the organization?	YES	NO
2b.	When were the latest policies received from the Financial Policy and Planning Staff (FPPS)?		
2c.	How are policies and procedures made available to all staff within the various organizations?		

3a.	Are current policies and operating procedures clearly stated in writing?	YES	NO
3b.	If yes, when was the last update?		

4.	Please list the functions for which desk procedures exist and the date of the last update.		
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5a.	Are transactions properly classified and recorded promptly?	YES	NO
5b.	Are transactions that are recorded in the accounting system supported by documentation?	YES	NO
5c.	Does the supporting documentation provide an adequate audit trail?	YES	NO

QUESTIONNAIRE A-8: RESOLUTION OF AUDIT FINDINGS AND OTHER DEFICIENCIES

Managers should promptly evaluate and determine proper actions in response to:

- Known deficiencies
- Reported audit and other findings
- Related recommendations

Managers should complete all actions that correct or otherwise resolve the appropriate matters brought to management's attention within established timeframes.

The audit resolution process begins when the results of an audit are reported to management and is completed only after action has been taken that (1) corrects identified deficiencies, (2) produces improvements, or (3) demonstrates the audit findings and recommendations are either invalid or do not warrant management action.

Auditors are responsible for conducting follow-up on audit findings and recommendations to determine if resolution has been completed. Top management should be kept informed through periodic reports to assure the quality and timeliness of individual deficiency resolution.

1a.	Has there been an audit of any financial management function in the organizational unit?	YES	NO
1b.	Identify the functions audited and the date of last audit.		
2a.	Have there been any audit findings?	YES	NO
2b.	Identify repeat findings for the last three years.		

3. Is the Director of OFM or the Regional Comptroller kept informed of the status of audit recommendations?	YES	NO
4a. Is there an audit tracking system in place?	YES	NO
4b. Are records of all financial management audit recommendations maintained?	YES	NO
4c. Is there a corrective action plan to implement the audit recommendations?	YES	NO
4d. How frequently is the audit tracking system monitored?		
4e. Describe the status of the audit recommendations.		

TEST PLAN B. TRANSACTION TESTING FOR ACCOUNTING ENTRIES**PURPOSE**

The purpose of Test Plan B is to evaluate the integrity of financial data produced by EPA's financial operations. Transaction testing is the selection of a sample of similar transactions/activities to verify that they were executed in accordance with EPA policies and procedures and applicable accounting principles and standards.

BASIS

Similar to a financial statement audit, the intent of this test is to evaluate whether financial statements are in conformance with prescribed accounting principles for federal agencies. This test plan provides guidance for testing accounting transactions.

Review tests are performed to determine if material dollar or disclosure misstatements exist in the annual financial statements. Reviewers must obtain evidence that provides reasonable assurance that the financial statements and their related assertions are free of material misstatement.

CONTENT

This test plan is a consolidation of relevant accounting standards prescribed by FASAB, related internal controls considerations, and EPA procedures designed to enable EPA to meet prescribed requirements. Fifteen sub-test plans—one test plan for each of the 15 basic accounting events—contain control objectives and test procedures, as follows:

1. Accounts Payable Accounting Standards
2. Accounts Receivable Accounting Standards
3. Payroll Processing Accounting Standards
4. Fund Balance with Department of Treasury Accounting Standards
5. Disbursements Accounting Standards
6. Government-wide Credit Card Accounting Standards
7. Property, Plant, and Equipment Accounting Standards
8. Interagency Agreements Accounting Standards
9. Grants and Cooperative Agreements Accounting Standards
10. Collections and Deposits Accounting Standards
11. Advances and Prepayments Accounting Standards
12. Financial Reporting Accounting Standards
13. Funds Control Accounting Standards
14. Travel Expenses and Reimbursements Accounting Standards
15. Claims Against the Government Accounting Standards

The goal of transaction/activity testing is to determine whether the control objectives have been met. Identifying the specific control procedures for each objective involves:

- Assessing the adequacy of the design of the procedures relative to the control objective
- Determining whether the procedures are functioning to:
 - √ Provide some assurance for the integrity of the financial operations
 - √ Produce valid financial statement numbers

EXECUTION

This test plan contains a systematic eight-step sequential approach to transaction testing.

STEP	APPROACH
1.	Identify accounting event cycle.
2.	Review applicable accounting standards.
3.	Review control objectives.
4.	Determine frequency to perform transaction/activity testing. (Note: The reviewer determines the testing method that will best achieve the objectives.)
5.	Perform transaction/activity testing to determine compliance with standards and objectives.
6.	Document test results.
7.	Prepare corrective action plan, where necessary.
8.	Follow up on corrective action plan.

The reviewer determines the sampling methods that will best achieve the review objectives. Sampling methods may be classified as either test of details, test of balances, or non-sampling (e.g., observation, inquiry, or analytical). The reviewer determines the sampling method based on the objectives of the test, the nature of the population, the results of other test plans (A and C), and previous testing experiences. Statistical sampling and non-statistical sampling are discussed in Chapter 3, Work Plans and Testing. Additional information on sampling methods may be found in the *GAO/PCIE Financial Audit Manual* (including July 2004 updates) at http://www.gao.gov/special.pubs/gaopcie/vol1_section400.pdf.

In determining the timing for the tests, the reviewer should consider the relationships between line items/accounts that are affected by the same transactions. For each type of test, the reviewer must determine the extent of testing to be performed, which is a matter of the reviewer's judgment. *Generally, the extent of testing is a function of the reviewer's preliminary assessment of the effectiveness of controls and the number of deviations expected.*

Suggested procedures for transaction testing are presented in this test plan. The test procedures for the 15 basic events are intended to serve as a guide and do not relieve the reviewer from responsibility for exercising appropriate judgment. While the test procedures do aid the reviewer in determining certain general and specific review procedures, the reviewer is responsible for:

- Assessing the specific requirements in each particular review situation
- Determining the appropriate procedures to perform and evidence to obtain
- Determining the procedures that should be added to or deleted from the test plan

RESULTS

EPA managers are responsible for taking timely and effective action to correct deficiencies identified during the course of reviews. Correcting deficiencies is an integral part of management accountability and must be considered a priority. Depending on the severity of the deficiency, reporting and tracking will vary.

If the Administrator judges a deficiency in financial management operations to be “material” when weighed against other deficiencies, the issue should be included in the annual Integrity Act report in the same manner as other material weaknesses. (See Chapter 3, Exhibit 3-2 on roles and responsibilities). Those deficiencies deemed material must be reported and tracked as part of the Annual Assurance Letter submission. For deficiencies not included in the Integrity Act report, corrective action plans should be developed and tracked internally at the appropriate level of managerial responsibility.

A determination that a deficiency has been corrected should be made when sufficient corrective action has been taken and the desired results have been achieved. This determination should be (1) in writing, with all appropriate documentation, and (2) available for review by appropriate officials.

To facilitate analysis and identification of control deficiencies, test results from transaction testing may be summarized in a format similar to the one in Exhibit 4-2. The essence of the schedule is to highlight questions with “No” answers and, where merited, develop and track corrective actions.

EXHIBIT 4-2
ANALYSIS OF ACCOUNTING EVENT TRANSACTION TESTING SUMMARY OF RESULTS

DATE OF REPORT: _____

FISCAL YEAR: _____

PERIOD COVERED: _____

ACCOUNTING EVENT	PRIOR YEAR OUTSTANDING DISCREPANCIES	PRIOR YEAR NUMBER OF DISCREPANCIES	CURRENT YEAR \$ VALUE OF DISCREPANCIES	CURRENT YEAR OUTSTANDING DISCREPANCIES	REPORT DATE OF DISCREPANCY	Corrective Action				
						YES	NO	PLAN DATE	ACTUAL DATE	DESCRIPTION

TEST PROCEDURE 1. ACCOUNTS PAYABLE ACCOUNTING STANDARDS

Recognition of Liability

Accounts payable are liabilities—amounts owed to others for goods and services, progress in contract performance, amounts received but not yet earned, and rents due to other entities. When the title to goods is accepted, whether the goods are delivered or in transit, a liability for the unpaid amount of the goods should be recognized. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated. Accounts payable are not intended to include liabilities related to ongoing continuous expenses such as employees' salary and benefits, which are covered by other current liabilities.

Reporting

Amounts owed for goods or services received from federal entities represent intragovernmental transactions and should be reported separately from amounts owed to the public. Disclosure should be made for accounts payable not covered by budgetary resources.

EPA Policies and Procedures

Policy Announcement 95-11, Amendment 1, Policy and Procedures for Reporting Accounts Payable and Related Accruals, dated September 30, 2003.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
1. All payables and other claims against the federal government are fully documented and recorded promptly and accurately.	<ol style="list-style-type: none"> Verify that accrual techniques used conform to EPA-provided guidance. Determine timing differences between creation of the payable, billing, and entry in accounting records. Note any delays. Search for unrecorded liabilities by performing the following steps: <ul style="list-style-type: none"> Select a sample of disbursements for the first three weeks following the fiscal year closing date. Determine by reviewing source documents if any items in the sample represent unrecorded liabilities at the fiscal year closing date. Select a sample of unpaid invoices onhand at the fiscal year closing date. Determine if any invoices represent unrecorded liabilities.

CONTROL OBJECTIVES	TEST PROCEDURES
2. Financial statements properly present the federal government's liability at the end of the reporting period.	<u>Headquarters</u> Review the financial statement presentation of accounts payable and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> for the current fiscal year.

TEST PROCEDURE 2. ACCOUNTS RECEIVABLE ACCOUNTING STANDARDS

Recognition of Receivables

A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provision, such as payment due date, or goods/services provided. If the exact amount is unknown, a reasonable estimate should be made. Receivables from federal entities are intragovernmental receivables and should be reported separately from the receivables for non-federal entities.

Entity and Non-Entity Receivables

Entity receivables are amounts that a federal entity claims for payment from other federal or non-federal entities and that the federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection. Non-entity receivables are amounts that the entity collects on behalf of the U.S. government or other entities and the entity is not authorized to spend. Non-entity receivables should be reported separately from receivables available to the entity.

Recognition of Losses Due to Uncollectible Amounts

Losses on receivables should be recognized when it is more likely that the receivables will not be totally collected. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be re-estimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct. The major categories of receivables by amount and type, the method used to estimate the allowance for uncollectible amounts, and the total allowance should be disclosed.

EPA Policies and Procedures

Resources Management Directive 2540-09, Receivables and Billings, dated June 20, 2000.

Policy Announcement 03-08, Policies and Procedures for Monthly Reconciliations of Accounts Receivables, dated September 8, 2003.

Transmittal 05-02, EPA Accounts Receivable "Write-Off" and "Currently Not Collectible" Reclassification Requirements, dated September 28, 2005.

Transmittal 04-02, Change to the Aging Categories of Outstanding Accounts Receivable, dated March 10, 2004.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
1. All receivables are recorded timely and accurately and are fully documented and supported.	a. Obtain a detailed list of <i>open</i> accounts receivable at any time during the fiscal year. Compare the total of the list to the general ledger control account balance. If the two totals do not match, identify and investigate the discrepancies. b. Determine timing differences between creation of the receivable, billing, and entry in accounting records. Note any delays. c. Verify accuracy of receivable amount by reviewing supporting documentation. <ul style="list-style-type: none"> - Verify that supporting documentation, subsidiary records, and the general ledger are reconcilable. - Review reasonableness of estimated receivables. d. Review supporting documents to verify that EPA has documents to support the Accounts Receivable claim.
2. All receivables are valid and currently exist. Title to property used as collateral is properly recorded, filed, and secured.	a. Verify the documentation to ensure proper accounting and use of the correct appropriation. b. Verify the documentation to ensure the funds are received on time. c. Review the individual receivable balances to ensure each exceeds zero.
3. Debtors are notified when payment is due and notified of subsequent charges. Continuous and timely attempts are made to collect receivables due.	a. Review written procedures to record receivables, notify debtors, handle uncollectible accounts, and write-off uncollectible accounts. Identify and report any inconsistency or non-compliance with the accounting standards or EPA policy. b. For past-due receivables, verify that the amount includes interest, penalty, and handling charges. Determine if proper follow-up for collection is documented. c. Review copies of bills to verify that the bills were prepared in a timely and accurate manner.
4. Receivables are properly classified by source and age.	a. Verify that the accounts receivable are classified properly.

CONTROL OBJECTIVES	TEST PROCEDURES
5. Receivables that may not be collectible are identified and reported.	a. For past-due accounts, determine collectibles of the receivables; discuss with appropriate EPA officials who are knowledgeable of the specific accounts. b. Determine disposition of amounts uncollectible for transactions due over 180 days and disposition of all transactions written off.
6. Write-off, conversions, settlement, or forgiveness of receivables are properly recorded.	a. Determine adequacy of allowance account based on the current age of receivables; discuss with appropriate EPA officials who are knowledgeable of the specific accounts. b. Determine disposition of amounts uncollectible for transactions due over 180 days and disposition of all transactions written-off.
7. Financial statements properly present the federal government's assets at the end of the reporting period.	<u>Servicing Finance Offices (SFOs)</u> a. Verify the accuracy of the general ledger accounts receivable account balance by reviewing subsidiary ledgers and associated supporting documentation. <u>Headquarters</u> b. Review the financial statement presentation of accounts receivable and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> for the current fiscal year.

TEST PROCEDURE 3. PAYROLL PROCESSING ACCOUNTING STANDARDS

Pay Processing

The payroll computation should be based on time actually worked and leave actually taken. Where separate payroll and personnel systems are maintained, the pay rates and other common data elements related to pay, leave, and allowances for each employee/service member in the payroll system must be reconciled to those in the personnel system. System documentation should provide for controls over quantity, timeliness, reliability, and accuracy of inputs, processing, and outputs of all documents. Corrections and other adjustments to data in official records must be approved in writing or through electronic signature by an authorized official. Errors should be corrected as soon as practical after discovery. Manual corrections on documents that have already been approved or certified must be made in a way that does not destroy the original entries.

Separation of duties among those in the following list must exist to the extent that the size of the organization permits (first item must always be separated from the other duties):

- Authorization of pay and entitlements
- Certification of payments

- Payroll computation
- Recording of payroll data in the accounts
- Distribution of pay
- Review of payroll transactions
- Automated system development
- System testing
- System implementation
- System maintenance

Pay Deductions

Written authorization to make deductions from pay should be obtained from the employee in all cases, except when deductions are required by specific provisions of law or by court order. Statutory deductions for income taxes must be supported by a certification by each employee of the number of exemptions claimed or extra withholdings authorized. All bonds should be issued in accordance with written authorization from employees.

Supplemental Pay

The payroll system will incorporate procedures to ensure that all supplemental pay data are considered in the processing, that results of the processing are accurate, and that no unauthorized alterations are made to supplemental pay transactions and records.

Payroll Input to Accounting System

The payroll system should be an integral part of the accounting system, with detailed payroll system accounts and records kept as subsidiary to or support for summary accounts in the accounting system's general ledger. The payroll system should produce obligation and accrual data needed by the accounting system.

Employee Benefits Expense and Related Accruals

Unpaid personnel compensation and benefits that have been earned by the employee as of the end of each year (and interim period where interim reports are prepared) should be accrued in full or in part, in accordance with the standards issued by FASAB.

Payroll Reports

All required internal and external reports must be accurately and promptly prepared and distributed to appropriate recipients to ensure receipt when information will be of maximum benefit. Reports on payroll transactions processed must be sent promptly to officials who authorized or were responsible for the transactions and reviewed by them for completeness and accuracy. Any discrepancies noted must be resolved promptly. Reports must be based on, supported by, and periodically validated against appropriate detailed information in the payroll system. Reports must be retained and disposed of in accordance with the

General Records Schedule with sensitive data as defined by the Privacy Act of 1974 (5 U.S.C. 552a) handled in accordance with provisions of that Act.

Certification of Time Documents

All supervisors must sign and maintain timesheet certification reports. They must also sign default time approval reports. Currently, these reports can be run by all supervisors, timekeepers, and coordinators from the PeoplePlus System. All reports must be filed and kept for 6 years.

EPA Policies and Procedures

Resources Management Directive 2550A1D1 - Financial Management of Personnel, dated October 3, 2003.
Policy Announcement Number 05-05, Responsibility of Supervisors to Approve Time and Attendance, dated May 5, 2005.
Policy Announcement Number 04-01, Policies and Procedures for On-Line Access to EPA's Integrated Human Resources, Benefits, Payroll, Time and Labor Management System (PeoplePlus), dated September 1, 2004.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
1. Payroll policy and procedures are in accordance with the applicable standards and requirements.	<u>Washington-Finance Center (WFC)</u> <ol style="list-style-type: none"> Review Timekeeping Manual to ensure compliance with the accounting standards. Verify that responsibility for assigned duties and functions are in actual practice appropriately separated between: <ul style="list-style-type: none"> - Recording and reporting of attendance, absences, and other circumstances affecting the computation of pay and earnings. - Supervising of performance and granting, approving, and advancing leave. Review payroll error correction procedures to ensure compliance with the accounting standards and control objectives.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>2. Compensation and benefit payments are in accordance with current statutory or regulatory limitations. Gross and net payroll amounts and payroll deductions are correct.</p>	<p>Headquarters</p> <ul style="list-style-type: none"> a. Review local electronic Time and Attendance for: <ul style="list-style-type: none"> - Proper approval (by timekeeper and supervisor) for leave and overtime. - Completeness and accuracy. b. Review sample employee forms from Employee Express for EFT applications, savings bonds, federal tax, state tax, FERS, and other deductions for proper authorization. c. Review Request for and Authorization of Overtime Work (EPA Form 2560-7) for proper overtime authorization. d. Verify that amounts on the appropriate People Plus entries reflect accurate salary data. e. Compare personnel files/records against People Plus output for accuracy and completeness. f. Review payroll system documentation regarding supplemental pay actions (payroll actions outside the normal payment for 80 hours worked in a pay period). Verify the situations where supplemental pay actions are allowable and the specific documentation that is required. g. Examine supplemental pay actions. <p>Servicing Finance Offices (SFOs)</p> <ul style="list-style-type: none"> h. Determine that deductions from gross pay have been calculated correctly.
<p>3. Payroll charges, including benefits, are promptly distributed, recorded, and properly reported to the appropriate account.</p>	<p><u>WFC</u></p> <ul style="list-style-type: none"> a. Perform the following test procedures on the individual wage and salary payments from the payroll records: <ul style="list-style-type: none"> - Verify base pay for each item selected by reference to the appropriate SF 50 and applicable salary schedule. - Verify hours in pay status to PeoplePlus Electronic T&A System. - Verify computations for final pay including unused annual leave payments. b. Identify awards or other unusual compensation and inspect evidence of approval and authorization.

CONTROL OBJECTIVES	TEST PROCEDURES
4. Payroll charges, including benefits, are promptly distributed, recorded, and properly reported to the appropriate account.	<p>a. Review payroll distribution timesheet documentation (EPA Form 2560-28) for accuracy and completeness.</p> <p><u>WFC</u></p> <p>b. Examine OPM SF 2812 report. Verify that preparation is in accordance with TFM - Vol. 1, Part 3 - Section 3000.</p>
5. Access to payroll records and accounts is limited to authorized personnel.	<p>a. Review the PeoplePlus System Access Request Forms submitted by users to the PeoplePlus Security Administrators.</p>
6. Payroll subsidiary records are in agreement with general ledger balances.	<p><u>WFC</u></p> <p>a. Verify that withholding accounts have been properly liquidated and that withheld amounts and employer share of benefits have been deposited with the responsible agency.</p> <p>b. Examine IFMS reports used to reconcile the systems. Trace obligation, cost, and disbursement balances to the general ledger for a pay period. Review reconciliation documents.</p> <p>c. Test EPA payroll reports by performing the following actions:</p> <ul style="list-style-type: none"> - Verify totals and cross-totals on selected payroll listings. - Trace postings to appropriate general ledger accounts. This should include verifying that payroll expense and related employer share of benefits are charged to the correct appropriation and program allowance.
7. Financial statements properly present personnel compensation, employee-benefit expense, and other payroll-related information.	<p><u>Headquarters</u></p> <p>a. Review the financial statement presentation to ensure that personnel compensation and employee-benefit expenses have been disclosed separately.</p> <p>b. Consider the financial statement presentation of other payroll related information and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i>, for the current fiscal year.</p>

TEST PROCEDURE 4. FUND BALANCE WITH DEPARTMENT OF TREASURY ACCOUNTING STANDARDS

Fund balance with Department of Treasury is an asset account that reflects the available spending authority by federal agencies. Collections and disbursements will, correspondingly, increase or decrease the balance in the account. Agencies report changes to this account to the Financial Management Services (FMS),

Department of Treasury through monthly reporting on Statements of Transaction (FMS 224). To ensure the integrity of the receipts and disbursement data submitted by agencies, FMS compares agencies with comparable data submitted by financial institutions and Department of Treasury Regional Finance Centers. Agencies are notified of any discrepancies on a monthly Statement of Difference report (FMS 6652). Agencies are responsible for investigating and resolving these differences and reporting any required adjustment on their monthly Statement of Transaction report (FMS 224).

Fund balance with Department of Treasury is increased by:

- Receiving appropriations, re-appropriations, continuing resolutions, appropriation restorations, and allocations.
- Receiving transfers and reimbursements from other agencies.
- Amounts borrowed from the Department of Treasury, Federal Financing Bank, or other entities.
- Amounts collected and credited to appropriation or fund accounts that EPA is authorized to spend or use to offset its expenditures.

Fund balance with Department of Treasury is decreased by:

- Disbursements made to pay liabilities or to purchase assets, goods, and services.
- Investments in U.S. government securities.
- Cancellation of expired appropriations.
- Transfers and reimbursements to other entities or to the Department of Treasury.
- Sequestration or rescission of appropriations.

Fund balance with Department of Treasury must be reported as an asset on the Statement of Financial Position. Disclosure should be made to distinguish two categories of funds within the entity's fund balance with Department of Treasury: (1) obligated balances not yet disbursed and (2) unobligated balances. *The obligated balance not yet disbursed* is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made. *The unobligated balance* is the amount of funds available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use.

EPA Policies and Procedures

Policy Announcement 03-04, Accelerated Monthly Standard Form 224 (SF224), "Statement of Transactions," Process – Revised Policies and Procedures, dated April 28, 2003.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>1. Transactions with Department of Treasury are appropriately recorded in the accounting system.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Review written procedures to record Fund Balance with Department of Treasury. Identify and report any inconsistency or non-compliance with the accounting standards. b. Reconcile the IFMS general ledger to the FBWT. <p><u>Servicing Finance Offices (SFOs)</u></p> <ul style="list-style-type: none"> c. Trace receipt amounts reported on the SF 224s to appropriate supporting documentation (e.g., SF 215s and SF 5515s) and to the general ledger. Based on the date submitted for deposit, determine that the deposit is recorded in the proper accounting period and reported to Department of Treasury in the proper period. Coordinate this step with accounts receivable (for reduction of accounts receivable). d. Trace disbursement amounts reported on the SF 224s to appropriate supporting documentation (e.g., SF 1081s, GOALS II RFC-Agency Link and IPAC) and to the general ledger. Based on the date that disbursements were actually made, determine that the payment is recorded and reported to Department of Treasury in the proper accounting period. e. Verify accuracy of the fund balance by reviewing supporting documentation. Verify that documentation, subsidiary records, and the general ledger are reconcilable. Verify accuracy of calculations.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>2. Fund Balance with Department of Treasury in the general ledger (accounting system) is reconciled in a timely manner with the balance confirmed by Department of Treasury. Any discrepancies between the two records should be promptly resolved. Discrepancies due to time lag should be reconciled and discrepancies due to error should be corrected before financial reports are prepared.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. For each appropriation and fund, obtain the TFS Form 6653, Undisbursed Appropriation Account Ledger, for the last month of the period under review. The TFS Form 6653 shows the opening balances, classified transactions for the month, and the resultant closing balance. b. Compare the closing balance on the TFS Form 6653 with the general ledger. <p><u>Servicing Finance Offices (SFOs)</u></p> <ul style="list-style-type: none"> c. SFOs reconcile monthly using system-generated Report FMO-18E. The current month activity reported on SF224s is manually posted to the FMO-18E report to reconcile to the system-generated general ledger balances by Accounting Point, Disbursing Office Symbol, Department of Treasury Symbol, and General Ledger Account. d. Review cause(s) for the discrepancies and steps taken to resolve them. Identify any unresolved discrepancies that are not reconciled within two months.
<p>3. Fund Balance with Department of Treasury is properly presented in the financial statements. The cause of any discrepancies between the general ledger account balance and the Fund Balance with Department of Treasury should be explained in the notes to the financial statements.</p>	<p><u>Servicing Finance Offices (SFOs)</u></p> <ul style="list-style-type: none"> a. Verify the accuracy of the general ledger Fund Balance with Department of Treasury by reviewing general ledger balances and monthly SF 224 reporting. <p><u>Headquarters</u></p> <ul style="list-style-type: none"> b. Review the Balance Sheet presentation of FBWT and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> for the current fiscal year.

TEST PROCEDURE 5. DISBURSEMENTS ACCOUNTING STANDARDS***General***

All disbursements, whether in cash or electronic deposits, for authorized and lawful payments and/or refunds of amounts collected should be supported by standard disbursement documents in either hard copy or machine-readable source records. Documents should link all supporting records and enable audit of the transaction. Controls should ensure that amounts paid by the disbursing offices were in accordance with the payment information certified to them.

Use of Invoices in Place of Vouchers

Disbursement transactions, except those involving charges for transportation services, are not required to be processed on prescribed vouchers if the vendors' invoices, bills, or statements of account show all the required information. Such invoices, bills, or statements of account may be used as basic vouchers in support of the Agency's accounts and accountability statements.

Recurrent Payments – Fixed Amounts

Payments for services of a continuing nature, such as rent or janitorial services, which are performed under agency-vendor agreements providing for payments of definite amounts at fixed periodic intervals, may be made without submission of vouchers, invoices, or bills by the vendor. The basic voucher prepared by EPA to support payments of this nature should show at a minimum the contract number, the period covered by the payment, the vendor name, the payment amount, and the account to be charged.

Monthly Bills from Vendors under Blanket Purchase Agreement

Purchases made under Blanket Purchase Agreements (BPAs) must be verified in the same manner as any other invoice.

Consolidation of Payments for Multiple Invoices

To minimize the number of vouchers prepared and payments made by disbursing offices, multiple invoices may be consolidated into a single payment, provided that payment is to a single office or vendor place of business, payment is for a single government establishment, consolidated payment is agreeable to the vendor, and payment is made in accordance with Prompt Payment requirements.

Payments to Public Utilities

Payments may be made to public utilities in the absence of a contract when the charges are based on rates that are fixed or adjusted by federal, state, or other regulatory bodies. However, contracts are not precluded where either the company or the agency required agreements or contracts for the furnishing of services.

Lost or Destroyed Original Invoices

If an original invoice has been lost or destroyed, a duplicate should be obtained from the claimant to support the voucher. The voucher may then be processed through regular disbursement channels provided there is

placed or attached to the duplicate invoice (1) a full explanation as to the circumstances of the loss or destruction of the original invoice, and (2) a statement that steps have been taken to prevent duplicate payment.

Prompt Payment and Interest Penalties

5 CFR 1315: Prompt Payment (formerly OMB Circular A-125)

Prompt Payment, Final Rule 5 CFR 1315 requires agencies to make payment on time, to pay interest penalties when payments are late, and to take discounts only when payments are made on or before the discount date. Payment must be based on receipt of proper invoices or progress payment requests and satisfactory performance of contract terms. Each invoice will be reviewed as soon as practical after receipt to determine whether the invoice is a proper invoice as defined in Section 2 of 5 CFR 1315. Any invoice determined not to be a proper invoice should be returned as soon as practical, but not later than seven days after receipt, identifying the defects that prevent payment. Agencies will ensure that receipt and acceptance are executed as promptly as possible. Receiving reports will be forwarded in time to be received by the payment office by the fifth working day after acceptance, unless other arrangements are made.

The period available to EPA to make a timely payment of an invoice without incurring an interest penalty must begin on the later of: (1) the date of receipt of a proper invoice by the designated billing office or (2) the date that the property is actually delivered or performance of the services is actually completed. Unless otherwise specified in the contract, the payment is due 30 days after the start of the payment period.

Discounts will be taken whenever economically justified, but only after acceptance has occurred. Vendors must receive payment no later than the discount date. If agencies take discounts after the discount date, or if they fail to make timely payment, interest penalties must be paid. Agencies must pay interest penalties automatically, without contractors requesting them, and must absorb the cost of interest penalty payments into funds available for the administration of the program for which the penalty was incurred. Agency implementation must be consistent with sound cash management practices, related Department of Treasury regulations (TFM – Vol. I, Part 6 – Section 8040) and the Federal Acquisition Regulations (48 CFR 32.9 and 52.232).

Certification and Approval of Vouchers

All original basic vouchers (invoices or bills) must be signed by the proper EPA administrative approving officer—one who is aware of the facts stated on the voucher. Electronic certification is performed by the Authorized Certifying Officer through IFMS and data is submitted to the Department of Treasury in tape form. The Las Vegas Finance Center certifies the tape for the agency.

Internal Controls Over Disbursements

Each agency's system of internal control over disbursements should be based on operating needs and should conform to related principles and standards for accounting and administrative internal controls prescribed in the *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, November 1999. To the extent practical, operations should be separated to reduce risk of error, waste, and wrongful acts. In automated systems, a separation of duties should be achieved by the assignment of different responsibilities by function. Different responsibilities (separation of duties) should be assigned to computer operations

personnel, software maintenance specialists, and users. User responsibilities include ensuring that disbursing operations are separated from such operations as purchasing, receiving, and disbursing, internal controls and procedures are properly implemented, and errors are promptly resolved.

Whenever possible, agencies should seek to enter into agreements with contractors for transmission of payments by electronic funds transfer (EFT) (TFM – Vol. I, Part 4 – Section 2000). Agencies should make maximum use of the Automated Clearing House (ACH) for the disbursement of U.S. government funds. The ACH mechanism for vendor payments is Vendor Express and the ACH mechanism for salary payment is EFT. Fedwire may be used for high-dollar, low-volume payments only when same-day settlement is required. In all other cases, ACH should be used for payments of any dollar amount.

EPA Policies and Procedures

Policy Announcement No. 00-10, Implementation of 5 CFR Part 1315 – Prompt Payment, dated September 10, 2000.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>1. Recorded disbursements are for allowable goods and services that were authorized, received, and accepted.</p>	<p>Review contracts, purchase orders, approving/receiving reports, invoices, and any other pertinent supporting documentation associated with the sample disbursement transactions. Determine the following:</p> <ul style="list-style-type: none"> a. The invoice was date stamped into the office. b. The payment is supported by the obligating document. c. The goods received or the services performed were accepted. Where required, a receiving report is on file. d. The correct vendor was paid (vendor name on the report is the same name as on the invoice). e. The payment was made for the correct amount. f. All appropriated discounts were taken. If not, the reason is recorded on the appropriate document and reflected in IFMS. g. If a penalty was taken for any late payment, the reason is recorded on the appropriate document and reflected in IFMS. h. The payment was processed within 30 days of being stamped into the office. i. The payment shows the date paid and a certifying officer's approval.
<p>2. Expenses for goods and services have been recorded in the proper amount in the proper general ledger account, against the proper appropriation, and in the correct time period.</p>	<p>Review contracts, purchase orders, approving/receiving reports, invoices, and any other pertinent supporting documentation associated with the sample disbursement transactions. Determine the following:</p> <ul style="list-style-type: none"> a. All cash, trade, quantity, or other discounts are taken and, if not, that the reason is shown on the appropriate document. b. All applicable deductions are made and credited to the proper account in the correct amount. c. Prompt payment requirements are followed. d. Clerical accuracy of the calculations. e. Correct appropriation was used to effect payment. f. The appropriation or fund is available at the time, for the purpose intended, and that sufficient funds exist for the transaction and in the amount of the proposed payment. g. Expense is properly classified in the general ledger and the financial statements. h. Conduct additional testing of transactions charged to repair and maintenance accounts for proper classification. Search for items that should be capitalized. Coordinate with test procedures performed related to property, plant, and equipment.

CONTROL OBJECTIVES	TEST PROCEDURES
3. Expenses for goods and services are properly presented in the financial statements.	<u>Headquarters</u> a. Review the financial statement presentation of expenses to ensure that it complies with the accounting standards. b. Review the financial statement presentation of expenditure-related information and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> , for the current fiscal year.

TEST PROCEDURE 6. GOVERNMENT-WIDE CREDIT CARD ACCOUNTING STANDARDS

General

When a government credit card is used, the vendor is paid by the commercial financial institution that provides the credit card service to the federal government. The government then reimburses the financial institution in accordance with the terms and conditions of the Federal Supply Schedule for commercial credit card services.

Agencies must designate personnel authorized to use the credit card. Agencies must also establish approved uses and limitations on the types of purchases and the dollar amounts for credit card transactions in conformance with the Federal Acquisition Regulations (FAR). The guidelines should prescribe limitations for single purchases, overall office purchases, and total monthly purchases. The credit cards may not be used to obtain cash from a financial institution or other point-of-sale arrangement.

Purchase Card Training

Training for government purchase card holders must provide general information on how to use a charge card. It must familiarize the cardholders with federal procurement laws and regulations, agency policies, and proper card use. Training requirements must be consistent with the level of responsibility or spending authority the cardholders will have.

Review and Approval of Billing Statements

EPA will not make payment for credit card transactions prior to receipt of the billing invoice by the finance office and the subsequent review and verification of the payment by the cardholder and the approving official. Verification by the cardholder and approving official is based on the review, validation, and approval of the transactions listed on the cardholder's statements and the approving official's statements.

Payment

When billed, EPA should use "Vendor Express" as the preferred method of payment for credit card services. Vendor Express is a government-wide program to process vendor and miscellaneous payments electronically through the Automated Clearing House (ACH) network. The payments are deposited directly into the

vendor's financial institution account on the payment date. If payment is made by this electronic funds transfer mechanism, payment must be received by the vendor's financial institution on the due date.

Safeguarding Credit Cards

EPA should establish guidelines for appropriately safeguarding the credit cards when not in use. Credit cards should be safeguarded in the same manner as cash. Authorization should be given to designated personnel to use the credit card. Procedures should be established for replacement of lost or stolen cards. Also, agencies should establish a process for the contractor to void cards due to loss, termination, or retirement of cardholder.

EPA Policies and Procedures

Resource Management Directive 2520, Chapter 4B, Bankcards

Test Procedures

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the Office of Acquisition Management (OAM) Purchase Card guidelines, *Purchase Card Training for Cardholders and Approving Officials*.

CONTROL OBJECTIVES	TEST PROCEDURES
1. Verify the purchase card holder's credentials.	<ul style="list-style-type: none"> a. Verify that the purchase card holder has taken the OAM Purchase Card Training and that the training is current. b. The purchase card holder must be able to advise customers on proper procedures, propose options, resist inappropriate pressures from customers, and deny requests that are unreasonable or inappropriate. c. The purchase card holder must have excellent record keeping and problem solving skills. The purchase card holder must be able to follow up on issues that relate to order, quality, and timeliness. d. It is strongly recommended that the supervisor of the purchase card holder includes in the card holder's annual performance plan a job element that assists in evaluating performance and monitoring of fiduciary responsibilities.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>2. Procedures are established for replacement of lost or stolen cards and for the contractor to void cards due to card loss, termination, or retirement of a cardholder.</p>	<p>a. Review EPA guidelines for appropriate safeguarding of credit cards when not in use and compare policy to actual practice.</p> <p>b. Review the list of personnel authorized to use credit cards for appropriateness.</p> <p>c. Review procedures for replacement of lost or stolen cards.</p> <p>d. Review EPA procedures for contractors to void cards due to card loss, termination, or retirement of a cardholder.</p> <p>e. Compare list of cardholders with authorized personnel list.</p> <p>f. Compare list of cardholders to list of current employees.</p>
<p>3. Credit card transactions are for approved purchases and within the approved dollar amounts.</p>	<p>Verify that:</p> <p>a. Transactions are permitted by law.</p> <p>b. Individual transactions are within the permissible dollar limit and purchases are for items approved by procurement officials.</p> <p>c. Acceptance of goods or services is verified by the cardholders.</p> <p>d. Required approval(s) from the person authorizing the purchase are obtained.</p> <p>e. Payments are supported by basic authorizing payment documents.</p> <p>f. Prompt payment requirements are followed.</p>
<p>4. Procedures exist for reviewing and validating individual statements of account, or a duplicate in the case of missing statements.</p>	<p>a. Review the basic payment documents and their associated statements of account to determine that payments for credit card transactions are made only after receipt of the billing invoice by the finance office.</p> <p>b. Verify that the purchase card holder maintains a monthly log of all purchases with necessary information.</p> <p>c. Verify that the supporting documentation has the appropriate signatures of the Administrative Officer and management official(s).</p>

TEST PROCEDURE 7. PROPERTY, PLANT, AND EQUIPMENT ACCOUNTING STANDARDS***General***

Property, plants, and equipment includes land, structures, facilities, equipment, and related improvements that have a service life of two or more years. It also includes assets acquired by capital leases as well as leasehold improvements. All property, plants, and equipment with an initial acquisition cost of \$25,000 or more and an estimated service life of two or more years must be capitalized and reported as fixed assets in the EPA's financial statements. Agencies should establish appropriate internal controls over all assets, particularly sensitive items that are subject to theft.

Cost of Acquisition

Purchased or constructed property, plants, and equipment should be accounted for at cost, which includes all amounts paid to acquire and install the assets in their current form and place. Donated fixed assets received from non-federal entities must be accounted for at estimated fair value at the date of acquisition plus any costs incurred to place the property in use. Statues and monuments must be reported at their historical cost or other rational basis, with depreciation not applied.

IT software (programs, routines, or subroutines) valued at \$25,000 or more, with a useful life of two or more years should be capitalized as property, plants, and equipment. IT software used in research and development activities of a particular project that has no alternative future use, whether purchased or developed by EPA personnel, should be amortized or depreciated over the life of the specific project. Property, plants, and equipment acquired for research and development activities that have alternative future uses (in research and development activities of others) should be capitalized over the estimated useful life of the property with the associated costs and depreciation reported as research and development expenses.

When initially recording property, plants, and equipment that were previously acquired, the cost should be recorded or, if cost cannot be estimated, the fair value of the fixed asset at the date acquired should be estimated from available records or evidence.

Capitalization of Fixed Assets

Costs of additions, alterations, betterments, rehabilitations, or replacements that extend the useful life of the asset or its service capacity should be capitalized as property, plants, and equipment. Costs of assets installed in or added to another asset must be capitalized either individually or as part of the other asset. Costs of assets or components removed, superseded, or destroyed in the improvement process should be expended, net of accumulated depreciation, if any. Expenses incurred to maintain property, plant, and equipment in satisfactory operating condition (repair and maintenance expenses) should be accounted for as operating expenses.

Lease Purchases

Property, including assets acquired through installment contracts and lease purchases, should be capitalized when placed in service. All costs associated with preparing property, plants, and equipment for service should be recorded in the Construction in Progress Account and reported in the financial statements. When assets are placed in service, the accumulated costs should be transferred to the appropriate asset account.

Foreclosure Property

Property acquired by foreclosure should be recognized at the appraisal (or fair market) value. The difference between amounts due and costs incurred and assets recorded at the appraised or fair market value should be recognized as a current period loss or gain when the foreclosure occurs.

Property Records

EPA property records must capture all acquisitions, whether by purchase, transfer from other agencies, donation, or other means. The property records must also capture all disposals or retirements when property leaves EPA custody. EPA property records should enable periodic independent verifications of the accuracy of the accounting records through periodic physical counts. Agency property records must be integrated with or reconciled with the accounting system.

Retirement of Property, Plant, and Equipment

When non-depreciated fixed assets are retired, EPA must remove the assets from the property account and an equal amount from the Invested Capital account. Unless otherwise specified by law, any proceeds received must be accounted for as Cash and Miscellaneous Receipts Due Treasury (a liability) or used to replace similar assets when permitted by law. When depreciated fixed assets are retired, EPA must recognize gains or losses on retirement if the disposal of the assets was external to the federal government. EPA must remove the net book value (difference between the amount at which the asset is recorded and its related accumulated depreciation) from the Invested Capital account, the related depreciation from the Accumulated Depreciation account, and the amount of the assets from the Property account upon retirement. The gains or losses should be recognized in the accounts as a financing source or an expense, as applicable, and as a charge to the Cumulative Results of Operations account. In addition, the gains or losses should be shown on EPA's financial statements as an adjustment to the accumulated results of operations at the beginning of the year.

Disclosure in Financial Statements

Property, plants, and equipment are to be reported and classified according to OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, for the current fiscal year.

EPA Policies and Procedures

Policy Announcement 01-03, Accounting for Working Capital Fund Property, dated May 23, 2001.

Policy Announcement 01-06, Property Reconciliation Requirements, dated September 4, 2001.

Policy Announcement 01-06: Amendment 1, Property Reconciliation Requirements-Certification, dated April 28, 2003.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

Obtain a schedule(s) of property, plant, and equipment detailing the beginning-of-period balances, current additions, current retirements, and ending balances.

CONTROL OBJECTIVES	TEST PROCEDURES
1. Adequate documentation is maintained to account for the total value of all property, plant, and equipment acquired by EPA.	a. Review accounting instructions for property acquired by trade-in, donation, seizure and/or forfeiture, to ensure that the acquired property was correctly recorded. b. Review accounting instructions for property disposed by write-off, retirement, and destruction to ensure that the disposed property was correctly recorded.
2. Receipt of property is recorded timely and accurately in the accounting records.	a. Review source documents with the accounting entries to verify timely and accurate recording. b. Test the accounting records by systematically reviewing major equipment items. Review the source documentation, including invoices and receiving reports, to ensure timely and accurate recording of property.
3. The distinction between a capital and operating expenditure is clearly identified for accounting purposes.	a. Review property acquisition transactions for compliance with capitalization guidelines. b. Review entries to the repairs and maintenance account to ascertain if property-related expenditures have been recorded in accordance with accounting standards. c. Test current-year additions by reference to source documents verifying the nature of costs and ensuring that the costs are of a capital nature according to the accounting standards. d. Verify that procedures exist for the proper handling of leased and rented property.
4. All costs associated with the acquisition (or purchase) of fixed assets are capitalized.	a. Review two months of property acquisition source documents and determine if all the expenditures to place fixed assets in service have been capitalized according to the accounting standards, including transportation and installation charges.
5. Acquired assets are charged to the proper appropriations.	a. Review the accounting transactions for the appropriate treatment of assets acquired.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>6. Detailed subsidiary records are maintained for individual capital assets and are periodically reconciled to control accounts.</p>	<p>a. Test the property records by systematically observing major equipment items.</p> <p>b. Trace property acquisition transactions from initial obligation to entry into IFMS.</p> <p>c. Verify that depreciation and write-offs (disposals) are accurately recorded in the subsidiary records and are reflected in the control account totals.</p>
<p>7. Periodic physical verification is made of the existence of property and inventories. Physical security measures are commensurate with the size, type, and value of property.</p>	<p>a. Select a sample of property transactions. Compare the transactions to the accounting records and conduct a physical inventory of the items in the sample.</p> <p><u>Headquarters</u></p> <p>b. Review IFMS Fixed Assets module systems documentation for compliance with accounting standards.</p>
<p>8. Issues, transfers, retirements, and losses are reported in a timely manner.</p>	<p>a. Trace property disposal transactions and their entry into IFMS.</p> <p>b. Verify the completeness of the schedule for assets written-off through transfer, retirement, or loss.</p> <p>c. Review the list of write-offs (disposal) of non-depreciated property, plant, and equipment.</p> <p>d. Test current-year disposals by verifying book value at disposition, computing gain or loss on disposal, and verifying proper removal from the asset and accumulated depreciation accounts.</p>
<p>9. Depreciation and amortization amounts have been accurately recorded.</p>	<p>a. Verify depreciation and amortization beginning balances by referencing prior- year annual financial statements.</p> <p>b. Test current-year depreciation or amortization expense computations. Compare the totals to the general ledger depreciation or amortization expense accounts.</p>

CONTROL OBJECTIVES	TEST PROCEDURES
10. Financial statements properly present property, plant, and equipment.	<p><u>Servicing Finance Offices (SFOs)</u></p> <p>a. Verify the accuracy of the general ledger property, Plant, and Equipment account balance by reviewing subsidiary ledgers and associated supporting documentation.</p> <p><u>Headquarters</u></p> <p>b. Review the financial statement presentation to ensure that property, plant, and equipment are disclosed appropriately in accordance with the accounting standards.</p> <p>c. Review the financial statement presentation to ensure that accumulated depreciation/amortization and depreciation/amortization expense are reported in accordance with accounting standards.</p> <p>d. Review the financial statement disclosure for adequacy. Verify that the financial statements contain the following disclosures:</p> <ul style="list-style-type: none"> - Basis for determining asset values (i.e., historical cost, fair market value). - Method of depreciation/amortization. - Current year additions and retirements of property, plant, and equipment. - Fully depreciated/amortized assets still in use. <p>e. Review the financial statement presentation of Property, Plant, and Equipment and determine whether EPA's presentation is in accordance with OMB Bulletin, 01-09, <i>Form and Content of Agency Financial Statements</i>, for the current fiscal year.</p>

TEST PROCEDURE 8. INTERAGENCY AGREEMENTS ACCOUNTING STANDARDS

General

An Interagency Agreement (IAG) is a written agreement between federal agencies under which goods or services are provided in exchange for monetary reimbursement, or where the parties have a mutual need for the goods or services and share in the cost of the work performed under the agreement by an outside contractor or grantee.

Method of Payment

There are three ways in which a federal agency pays for goods or services under IAGs:

- *Reimbursement* — Seller agency performs the work specified in the agreement and on a periodic basis submits a request for payment to the buyer agency. The buyer agency pays the seller agency if the request is in order (i.e., in compliance with the agreement and other applicable requirements). The federal agency

uses the Intragovernmental Payment and Collections (IPAC) for processing the following types of interagency transactions.

- *Advance payment*—EPA receives reimbursable authority from OMB. OMB does not require advances to perform work under an agreement.
- *Allocation transfer*—Obligation authority is transferred from a buyer agency to a seller agency. This method of payment is often used with agreements of large dollar amount or where a transfer of function is involved. The EPA OCFO must approve this method of payment.

Interagency Agreement Funds

IAG funds must be obligated within their period of availability. The period of availability depends on the appropriation that provides the funds. Funds transferred under an IAG retain the same limitations applied to their use by the buyer agency or by the seller agency. Detailed policy and procedures for initiation, management, and closeout of IAGs are available at the Grants Intranet Web site: intranet/ogd/iag/htm.

Intragovernmental Payment and Collections

The objective of the IPAC system is to accomplish interagency purchases, sales, and payment in a more efficient manner by: (1) eliminating checks issued and deposit procedures normally associated with the payment of invoice and (2) eliminating the regular SF 1081 voucher procedure by virtue of a simultaneous billing and collection feature. The IPAC system, which is a component of the Government Online Accounting Link System (GOALS), establishes a standardized interagency billing and adjustment procedure through a telecommunications network.

Under the IPAC system, the buyer-seller relationship between federal government agencies requires only the transfer of funds from one agency to another agency. Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own Agency Location (ALC) and charging the customer agency's ALC. The electronically transmitted bill will include a complete description of the purchase, thereby eliminating the need for mailing a paper payment document.

Recording

The customer agency will verify the accuracy of each bill in the IPAC system. The customer agency will then record the payments applicable to its appropriation or fund symbols as of the payment date reflected in the system.

Reporting

At the end of each month, both the customer agency and the billing agency must include the net total amount of all bills and adjustments for its ALC on its SF 224 for the current payment month. Department of Treasury will compare the customer and billing agencies' SF 224s with the IPAC data. Also, Department of Treasury will compare the disbursing activity from Department of Treasury disbursing offices. If a difference occurs, a *Statement of Differences, Disbursing Office Transaction* (TFS Form 6652) will be generated. Agencies will investigate the differences and make the necessary corrections on the next SF 224.

End of fiscal year reporting by IPAC customer agencies:

- IPAC charges to the customer agency's ALC will be reported to the applicable appropriation or fund symbol.
- If at the end of the fiscal year, a customer agency does not have sufficient time to determine the amount of an adjustment for its regular monthly reporting on the SF 224, the agency should include the erroneous charge to the regular appropriation or fund symbol.
- When the amount of adjustment is determined, a refund receivable account should be established in the regular appropriation or fund symbol for year-end reporting on the *Year-End Closing Statement* (TFS Form 2108).
- Such receivables should be cleared in the subsequent fiscal year by adjusting the amount to the IPAC billing agency and crediting the appropriation or fund symbol charged on its regular monthly SF224.

End of fiscal year reporting by IPAC billing agencies:

On the TFS Form 2108, the IPAC billing agency will establish and report an accounts payable for an amount equal to the amount of adjustments against the related appropriation or fund account of the IPAC billing agency.

EPA Policies and Procedures

IAG Policy Documents/OCFO (See intranet.epa.gov/ocfo/finservices.iag.htm).
 IAG Policy Documents/GAD (See intranet.epa.gov/ogd/policy/8-0-IAGTopics/htm).
 Resources Management Directive 2550C, Chapter 4, Interagency Agreements.

Test Procedure

The following test procedures are examples and apply only to the Cincinnati Finance Center.

CONTROL OBJECTIVES	TEST PROCEDURES
1. Obligations are recorded in compliance with funding legislation and obligated within their period of availability.	<p>Generate a list of Interagency Agreements (IAG) transactions from the IPAC system and perform the following test procedures:</p> <ol style="list-style-type: none"> Review IAGs to ensure that they comply with EPA requirements. Review IAGs to verify the validity of the obligations. Verify that the correct ALC is charged.
2. As a billing agency, payment is accomplished in a timely manner upon fulfilling the customer agency's order or requisition for services.	<ol style="list-style-type: none"> Review the sample IAG files with the payment list generated from the IPAC system. Verify the IAG documentation and the customer agency's order or requisition to ensure that the services were provided according to the specifics of the IAG. Compare the date the service was provided and the billing date in the IPAC system.

CONTROL OBJECTIVES	TEST PROCEDURES
3. As a customer, accuracy of each bill in the IPAC systems is verified promptly and recorded to the applicable appropriation or fund symbol as of the payment date reflected in the system.	<ul style="list-style-type: none"> a. Compare IPAC data with the net total amount on the current month SF 224. b. Compare IFMS reports listing IAG payments with the appropriate IAG for the validity of the ALC charged.
4. IAG payments and collection are reported monthly according to requirements.	<ul style="list-style-type: none"> a. Review the monthly SF 224 and the IPAC system data for conformance to billing and payment procedures.
5. Reconciliation is performed between the data in the IPAC system, IFMS, and data reported to the Department of Treasury (SF224).	<ul style="list-style-type: none"> a. Review IPAC data with the net total amount on the current month SF 224. b. Review the transactions entered in the IPAC system between the first of the month and the end of the month. c. Review adjustments entered in the IPAC system between the first of the month and the end of the month. d. Review the TFS Form 6652, <i>Statement of Differences, Disbursing Office Transaction</i>. e. Review the reconciliation performed between SF 224, IPAC data, IFMS data, and TFS Form 6652.
6. Year-end reports are prepared in a timely manner.	<ul style="list-style-type: none"> a. Review the SF 224 for the month of September and analyze the adjustments included in the net total. Verify that the adjustments are charged to the proper appropriation or fund symbol and determine outstanding billings or collections for the fiscal year. b. Review TFS Form 2108, <i>Year-End Closing Statement</i> to verify that the refund receivable account (in the case of the customer agency) or the accounts payable account (in the case of the billing agency) is established for the appropriation or fund symbol. c. Review the SF 224 for the first month of the succeeding fiscal year to verify that the receivable or payable account is cleared.

TEST PROCEDURE 9. GRANTS AND COOPERATIVE AGREEMENTS ACCOUNTING STANDARDS

General

Grants and cooperative agreements are federal assistance agreements under which payments in cash or in-kind are made to provide assistance for specified purposes. The acceptance of an assistance award from the federal government creates a legal duty on the part of the recipient to use the available funds or property in accordance with the terms and conditions of the assistance agreement.

Assistance payments may be made in advance or as a reimbursement either for work performed or for costs incurred by recipients. Upon performance of work under the award, the assisting agency must record as expenses an amount equal to the cost of the service performed or cost incurred, and reduce the advance account by a like amount. Payments to award recipients as reimbursement for work performed or costs incurred must be accounted for as expenses incurred or as reductions of liabilities if the expenses were recorded previously.

Limitations and Timing of Cash Advances

Advances to a recipient organization will be limited to the minimum amounts necessary for immediate disbursement needs and will be timed only in accordance with the actual immediate cash requirements of the recipient organization in carrying out the purpose of an approved program or project.

The timing and amount of cash advances will be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program costs and the proportionate share of any allowable indirect costs.

Automated Standard Application for Payments (ASAP)

ASAP is a system through which organizations receiving federal dollars can draw funds preauthorized by federal agencies for payment through the Department of Treasury. ASAP is an all-electronic payment and information system developed jointly by the Financial Management Service (FMS) of the Department of Treasury and the Federal Reserve Bank of Richmond (Virginia).

EPA grantees use ASAP to draw funds pre-authorized to them. The Las Vegas Finance Center (LV-FC) enters the authorizations for these grants into the ASAP System. The cumulative amounts entered into ASAP for individual grant awards should equal the amounts in the EPA's Integrated Financial Management System (IFMS).

Electronic Funds Transfer (EFT)

Payments to all grantees not using ASAP are made through EFT. Federal agencies enroll recipients for Direct Deposit by obtaining their bank account information.

Direct Deposit is an electronic payment alternative that uses the Automated Clearing House (ACH) system. EPA sends a payment file to one of FMS's Regional Financial Centers. The file is sent to the Federal Reserve Bank for processing in the ACH system. Payments are posted to the recipients' accounts, and the funds are available at the start of business on the payment date.

Reconciliation

Federal program agencies will be responsible for reconciliation of differences shown on the TFS Form 6652. The EPA servicing finance centers that use ASAP must reconcile the amounts recorded in ASAP with the amounts in the Integrated Financial Management System (IFMS). Differences between the systems must be researched and corrected.

Any interest income earned by the recipient organization on federal funds will be promptly refunded to the federal program agency unless specifically prohibited by law (CMIA of 1990). Federal program agencies should deposit that portion of the amount refunded that represents the initial advance to the appropriation or fund account initially charged with the advance.

The portion that represents interest income should be deposited to the 531P, Interest Revenue Public account. These transactions otherwise will be reported on the federal program agency's regular statement of transactions. At the termination of the grant or cooperative agreement, funds unused and/or improperly applied by the recipient must be established as a receivable by the assisting agency.

Federal program agencies making advances should:

- Identify the programs advancing federal funds and specify the method of advance financing that will be used.
- Assign responsibility to a designated official to ensure agency-wide implementation and provide a focal point for liaison with the Development and Implementation Branch, Financial Management Service.

Title to assets acquired by award recipients is vested in the federal government. Appropriate property records must be established, and the capital assets should be included in the financial statements of the federal agency that has title to the property. Agencies should disclose in the notes to their financial statements the amounts of assistance awards to be made in future periods.

EPA Policies and Procedures

EPA Order 5730.1A1, Policy and Procedures for Funding Assistance Agreements, dated July 18, 2000.
EPA Order 5700.6, Policy on Compliance, Review, and Monitoring, dated December 31, 2002.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

Obtain a schedule(s) of grants, contracts, agreements, and similar programs including original award amount, amendments, costs reported to date, payments/advances made to date, accrued costs/expenses at end of period.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>1. Accounting for grants and cooperative agreements is in accordance with the applicable accounting standards and requirements.</p>	<p>Verify that:</p> <ul style="list-style-type: none"> a. The recorded grant obligation corresponds to the commitment (REQL) for the amount and accounting information. b. The grantee name in IFMS (OBLH) agrees with the name on the grant agreement. c. The grant obligation was recorded in IFMS within three work days of receipt in the office. d. The grant recipient signed the agreement prior to any draw-downs being made. e. If multiple PRCs were used, the payments were pro-rated. f. The payment was recorded against the correct grant and for the correct amount. g. A grant payment by a GP document (ACH/EFT or Reimbursement) was recorded in IFMS within two business days of receipt.
<p>1a. Explain any discrepancies found in the reconciliation process for grants and cooperative agreements.</p>	
<p>2. A system must exist that records all the elements within and monitors the status of each grant action, from the receipt of the grant application, through the issuance of the award and the release of funds to pay for the approved grant activities, to the close-out of the grant award.</p>	<ul style="list-style-type: none"> a. Determine the timeliness of entering commitments and obligations in the Integrated Financial Management System (IFMS). b. Compare the data recorded in IFMS for individual grants to the data on the award document for accuracy, completeness, and timeliness of entry. c. Determine completeness and accuracy of IGMS data for tracking application status. Determine if procedures exist for reconciliation of IFMS, IGMS, and actual awards documents data. d. Review grantee reports (SF 269, <i>Financial Status Report</i> and SF 272, <i>Federal Cash Transactions Report</i>) for agreement with IFMS. e. Compare award date to the date the obligation was posted into IFMS. Determine the significance of awards not posted by month-end. f. Verify that obligated amounts are deobligated or carried forward to fund subsequent year work in accordance with the terms of the appropriation.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>3. Advances are accurately adjusted to reflect grantee performance.</p>	<p>a. Verify that advances are properly and timely liquidated upon acceptance of grantee reports of performance.</p> <p>b. Verify that the advance account is properly adjusted and that the performance is recorded to the proper accounts.</p> <p>c. Verify that disbursements recorded in IFMS reflect grantee performance and reimbursement requests.</p>
<p>4. At the termination of the grant or cooperative agreement, funds unused and/or improperly applied by the recipient must be established as a receivable by the assisting agency.</p>	<p>a. Review IGMS list to identify those grants that have close-out actions and procedures. Determine the timeliness of actions upon receipt of close-out documents.</p> <p>b. Verify that expenditures recorded on the accounting records reflect the amount of grantee performance and that unobligated amounts are deobligated.</p> <p>c. Determine the time spans between end of award period, grantee submission of EPA ACH Payment Request, review by Grants Office, determination on unexpended balance, and recording in IGMS and IFMS. Ensure that the time spans are in compliance with the Grants Administration Manual.</p> <p>d. Verify that receivables are recorded promptly in the accounting records.</p>
<p>5. Ensure accurate and timely financial management reporting and reconciliation of accounts.</p>	<p>a. Review timeliness of posting draw-downs in IFMS per current EPA policy.</p> <p>b. Verify if payments to award recipients are properly reported in IFMS. If accounts payable are recorded for invoices received, verify that the payable amounts are reduced when payment is made.</p> <p>c. Verify that subsidiary accounts are reconciled to general ledger control accounts every month.</p>

CONTROL OBJECTIVES	TEST PROCEDURES
<p>6. Instructions developed by EPA covering advance financing procedures should include internal operating procedures.</p>	<ul style="list-style-type: none"> a. Review the recipient organization's use of funds advanced as reflected on SF 269 and determine the difference, if any, between the total amount of funds drawn on the ACH and disbursements related to the federal programs. b. Verify payments made after receipt of the SF 270, <i>Request for Advance or Reimbursement</i>, from the recipient to ensure compliance with EPA policy. c. Verify that the requests show completion of review and authorization. Confirm payments are made after receipt of an approved SF 269 from a grants specialist. d. Determine that payments to recipients as reimbursement for work performed or as costs incurred are accounted for as expenditures and as expenses incurred or reductions of liabilities, if the expenses were recorded previously. e. Obtain consecutive grantee reports and determine how many days lapsed between request for advance and payment. f. Review procedures for monitoring recipient reports for excess cash balances.
<p>7. Grants and cooperative agreements are properly presented and reported in the financial statements.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Review the general ledger account structure and ensure that grants and cooperative agreements are properly classified according to the requirements of the U.S. Standard General Ledger (SGL). b. Review the financial statement presentation of grants and cooperative agreements. Determine whether EPA's presentation is in compliance with the OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i>, for the current fiscal year.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>8. Authorized personnel establish and maintain accounts in the Automated Standard Application for Payments (ASAP) system to control the flow of funds to Recipient Organizations.</p>	<p>a. Determine whether the Agency Location Code (ALC) in ASAP is valid.</p> <p>b. Verify that the ASAP account information is a combination of the ALC/Region identifier, the Recipient identification number, and the account identification number.</p> <p>c. Verify that the appropriate spending authorization is entered.</p> <p>d. Verify that online certification of the spending authorization is valid. (Note: Ensure separation of duty for entering spending authorizations and certifying spending authorizations.)</p> <p>e. Review and reconcile the following daily activity ASAP reports with IFMS data: - Agency Payment Report - Debit Voucher (SF 5515)/Deposit Ticket (SF 215) Reports - Agency Payment Warehouse Report - Agency Authorization Cancellation Report - Agency Authorization Transaction- Warehoused Authorizations Processed Report - Agency Account Transaction Report - Agency Book Entry Adjustment Report</p> <p>f. Review ASAP system-generated messages in a timely manner.</p> <p>g. Report ASAP transactions on the SF224.</p>

TEST PROCEDURE 10. COLLECTIONS AND DEPOSITS ACCOUNTING STANDARDS

Control Over Collections

All officers and employees of the U.S. government who, by virtue of their official capacity, receive money for the custody of the United States, including donated, quasi-public, and unearned money, must maintain proper records and provide adequate physical control for the funds. Persons designated as accountable officers must account for all receipts and deposits.

Agencies are responsible for placing collections under appropriate accounting control promptly upon receipt. Records will be maintained in sufficient detail to readily identify all collections including bid deposits and collections for other agencies. Control records must disclose collections that have not been deposited, deposits in transit, and deposits that have been confirmed by the depository. Also, agencies must ensure that contractors collecting funds on behalf of the government maintain proper records and provide adequate physical control over the funds.

In accordance with the internal control standard for separation of duties, persons responsible for handling cash receipts should not participate in the accounting or operating functions relating to any of the following:

- Shipping of goods and billing of goods and services.
- Controlling accounts receivable and subsidiary ledgers.

- Preparing and mailing statements of balances due.
- Authorizing and approving credits for returns and allowances or for adjustments of amounts due.
- Preparing cash reconciliations.

Officials who are responsible for cash collections must not co-mingle such receipts with personal funds or use official receipts for cashing checks or money orders. EPA personnel must never instruct remitters to make checks, money orders, or other instruments payable to individual officials or employees by name.

Deposit and Documentation of Collections

As a general rule, all monies received for use by the United States should be turned in to the Department of Treasury as general fund miscellaneous receipts. The frequency of deposits depends on the amount of funds received by the depositing office. Receipts of \$5,000 or more should be deposited daily.

The Department of Treasury's cash management regulations (TFM-Vol. I, Part 6 - Section 8000) require that deposits be made by Thursday of each week regardless of the amount accumulated. If checks or money orders are held uncashed, they must be under appropriate physical safeguard and accounting control.

Collections should be deposited according to the procedures prescribed by the Department of Treasury (TFM-Vol. I, Part 5 - Section 2000). If the proper account that should be credited is not identified when collections are received, the credit should be to the agencies' deposit fund suspense accounts until the disposition of the collections can be identified.

For checks or other negotiable instruments that cannot be deposited because they were lost, destroyed, or mutilated during government processing, agencies should seek replacement in accordance with Department of Treasury regulations (TFM-Vol. I, Part 5, Section 5000). If such an item cannot be replaced, the loss is an irregularity that should be processed in accordance with the guidance in GAO Title 7, Chapter 8.

Collections reported to the Department of Treasury in the agency's monthly report should be supported by confirmed copies of the deposit tickets covering the collections or by appropriate schedules of collections referring to the related deposit tickets.

Collections Credited to Appropriation and Fund Accounts

Collections permitted to be credited to appropriation and fund accounts are refunds and reimbursements.

Refunds are: (1) returns of advances, (2) collections for overpayments made, (3) adjustments for previous amounts disbursed, or (4) recovery of erroneous disbursements from appropriation or fund accounts that are directly related to, and are reductions of, previously recorded payments from the accounts.

Reimbursements are sums received by the federal government in payment for commodities sold or services furnished, either to the public or to another government account.

Refunds are not required to be deposited to the credit of miscellaneous receipts. They must be deposited to the credit of the appropriation or fund charged with the original expenditure unless other deposit procedures are expressly prescribed by statute.

Reimbursements may be deposited to the credit of an appropriation or fund account only when authorized by law and in accordance with the requirements of the law. For example, the law may authorize the credit of deposits to current appropriations or it may direct that the credit is made to the appropriation initially charged with the cost of reimbursable work.

The collection of refunds or reimbursements authorized to be deposited to the credit of the appropriation initially charged with the expenditure should be deposited to the expired account if collected after the expiration of the appropriation. However, if such appropriation account is closed, the collections must be deposited as miscellaneous receipts with the Department of Treasury.

Other Collections

Various types of collections are made by voucher deductions under procedures prescribed by Department of Treasury. These collections include federal and state income taxes, travel advances, claim settlements, and contractor refunds of advances.

Collections of any type received by one agency should not be forwarded to another agency for deposit. Such collections should be deposited by the collecting office for credit to its suspense or budget clearing account as described in TFM - Vol. I, Part 5 - Section 3000. The transfer of funds to the designated agency should be accomplished by following the procedures for interagency (IAGs) transactions described in TFM - Vol. I, Part 6 - Section 4000.

Exchange or Sale of Personal Property

In acquiring personal property, an executive agency may exchange or sell similar items and apply the exchange allowance or proceeds of sale in whole or partial payment for similar item replacement property. All such transactions should be properly documented.

Except as otherwise directed by law, all proceeds from the sale of personal property will be available during the fiscal year in which the property was sold and for one fiscal year thereafter for obligation for the purchase of replacement property.

If the sale proceeds are received after an obligation for replacement property has been incurred and within the prescribed time limit, the proceeds may be credited as a directed reimbursement to the appropriation account charged or chargeable for the replacement property.

If the sales proceeds are received before an obligation for replacement property has been incurred, but an administrative determination has been made and documented that such proceeds will be used as an appropriation reimbursement to apply against an obligation that will be incurred within the prescribed time limit, the proceeds should be credited to the appropriate budget clearing account. A suspense budget clearing account should not be used for this purpose since it must be cleared by the end of the current fiscal year.

At least quarterly, agencies should review the accounts used for deposit of sale proceeds and clear them of any amounts that should be applied to other accounts or transferred to miscellaneous receipts in the general fund of the Department of Treasury. If the sale proceeds are not available for obligation or are not to be applied to replacement purchases, the proceeds will be deposited in the Department of Treasury's general

fund as miscellaneous receipts. The transaction descriptions for replacement purchases are presented in the U. S. Standard General Ledger (SGL).

Recoveries of Damages

The amount of excess costs or liquidated damages recovered because of default or breach of contract may be used to fund a replacement contract and need not be deposited to miscellaneous receipts.

Funds recovered from third parties for damage to government property must be deposited to miscellaneous receipts and may not be credited to an appropriation available to repair such property or to any other appropriation of the agency.

Collections from Government Employees

As a general rule, federal employees are obligated to account for any significant gift, gratuity, or benefit received from private sources incident to the performance of official duty. Examples include fees and payments received by employees that represent juror or witness fees, airline travel discounts, or penalty payments by airlines for not providing confirmed seats.

Except for nominal promotional materials, items and money received by employees from private sources must be remitted to their agencies. Any money received by agencies representing discounts or rebates will be deposited to the credit of the appropriation initially charged with the payment since these constitute refunds. Payments received as penalties must be deposited to the Department of Treasury as miscellaneous receipts.

Unidentified Remittances

Unidentified remittances that will ultimately be applied to a receipt, appropriation, or fund account within the budget will be credited to a receipt clearing account, Unclaimed Monies. If a receipt clearing account is not appropriate, the remittances will be credited to a deposit fund suspense account outside the budget. Remittances that are subsequently identified to accounts within the budget must be transferred to the proper accounts. Transfer documentation must show the purpose for which the remittances are received.

Lockbox Deposits

A lockbox arrangement is a collection and processing service provided by financial institutions that accelerates the flow of funds to Department of Treasury's General Account. Agencies instruct remitters to mail payments directly to a Department of Treasury designated lockbox bank. The bank transfers deposits to the Federal Reserve on a daily basis for credit to the agency accounts and processes remittance advices according to Department of Treasury and agency instructions.

EPA is responsible for the accounting requirements of all transactions and funds transferred. EPA is required to monitor lockbox performance on a daily basis to ensure quality service, reconciliation of detail remittance data, and the timely transferring of funds. EPA must prepare the necessary financial statements and reports to Department of Treasury (TFM - Vol. I, Part 2).

Disclosure in Financial Statements

Collections are to be reported and classified according to OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, for the current fiscal year.

EPA Policies and Procedures

Resources Management Directive 2540, Cash Management.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

Obtain a detailed list of deposits for a period (e.g., for a month or a quarter).

CONTROL OBJECTIVES	TEST PROCEDURES
1. Collections are deposited promptly upon receipt and properly recorded in the accounting system.	a. From a sample, trace cash collection transactions from initial receipt to deposit. Determine the timing of receipt to deposit and recording in the accounting system. Note any delays. Examine all checks and drafts to determine that they appear proper and are currently dated.
2. Finance office receipts and collections have been recorded in the correct amount and in the proper general ledger account, credited in the proper appropriations, and in the correct time period.	a. Obtain IFMS SF-224 Data by Disbursing Office and Schedule Number (RS 224 1&2) and obtain associated deposit tickets (SF 215s), and compare for any discrepancies in amount, date, and number. b. Review accounting data for consistency including deposits to correct appropriations. c. Based on the date submitted for deposit, determine that the deposit was recorded in the proper accounting period and reported to Department of Treasury in the proper period. Consider coordinating this step with the test of accounts receivable. d. Trace receipt amounts reported on the SF 224s to appropriate supporting documentation (SF 215s and SF 5515s) and to the general ledger.
3. Internal control standards for separation of duties are adhered to and adequate physical control over collection is maintained.	a. Compare procedures for collection and deposit to GAO Title 7, Chapter 5 (Accounting Standards) and note any discrepancies. b. Compare procedures and controls for undeposited collections to GAO Title 7 and note any discrepancies. c. Compare procedures to the description of responsibilities for accountable officers with regard to collection, custody, and deposit of government

CONTROL OBJECTIVES	TEST PROCEDURES
	funds and note any discrepancies.
4. Lockbox deposit transactions are adequately monitored and properly recorded.	a. Obtain a detailed list and identify lockbox deposits from Department of Treasury's CASHLINK. Compare Department of Treasury's lists with lockbox schedules. b. Obtain appropriate supporting documentation of lockbox deposits and verify with IFMS for proper accounting.

TEST PROCEDURE 11. **ADVANCES AND PREPAYMENTS (OTHER THAN GRANTS AND COOPERATIVE AGREEMENTS) ACCOUNTING STANDARDS**

General

Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires.

Cash outlays include: (1) travel advances to employees, and (2) cash paid under a contract, grant, or cooperative agreement before services or goods are provided by the contractor or grantee. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. Examples include rents paid at the beginning of a rental period.

Progress payments made to a contractor based on a percentage of completion of the contract are not advances or prepayments. Advances and prepayments should be recorded as assets.

Advances and prepayments are reduced when goods or services are received. Amounts of advances and prepayments that are subject to refund should be transferred to accounts receivable.

Advances and Prepayments As Made

Agencies making advances or prepayments must record them as assets until receipt of the goods or services involved or until contract terms are met. When goods or services have been received or contract terms met, the expense or acquired asset must be recognized and the advances or prepayments reduced. (For advance payments to award recipients, see Grants and Cooperative Agreements test procedure).

Advances and Prepayments Received

An agency receiving an advance or prepayment should record the amount received as a liability until payment is earned (goods or services have been delivered or contract terms met).

After the payment is earned (performance has occurred), the agency should record the appropriate amount as revenue or as a financing source and reduce the liability accordingly.

Travel Advance

Travel advances are amounts made available to employees prior to the beginning of a trip for costs to be incurred in accordance with the Travel Expense Act of 1949 and in accordance with standardized Federal Travel Regulations (FTR). A travel advance is initially recorded as an asset and is subsequently reduced when travel expenses are actually incurred. Advance amounts that are subject to refund, a settled travel claim indicating the traveler owes part of the advance to the federal government, are transferred to accounts receivable.

Reporting

Advances and prepayments paid out by an agency are assets of the agency. Advances and prepayments received by an agency are liabilities of the agency. In financial reports of an agency, advances and prepayments the agency paid out (assets) should not be netted against advances and prepayments that the agency received (liabilities).

Advances and prepayments both made and received should be aggregated, but not netted against each other. If the amounts are material, they should be shown as a separate line item on the financial statements instead of being included in accounts receivable or accounts payable account balances. Agencies should report or disclose separately the amount of advances and prepayments associated with non-federal entities and federal agencies.

EPA Policies and Procedures

Resource Management Directive 2540, Cash Management.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

Obtain a detailed schedule of advances indicating the obligation amount, cumulative payments, cumulative cost incurred/reported, accrual for unreported cost, and resultant advance balance.

CONTROL OBJECTIVES	TEST PROCEDURES
1. Balances represent payments for services that will be performed or costs that will be incurred in the future.	a. Examine documents supporting the advance payment and determine if advance payment was authorized. b. Review supporting documents showing anticipated expenses for goods or services to be received.

CONTROL OBJECTIVES	TEST PROCEDURES
2. Travel advances are authorized for the proper amount and are properly recorded and liquidated.	a. Examine documents supporting travel advances and determine if the travel amounts were computed properly within EPA policy limits. b. Review the travel advances for appropriate authorization. c. Verify the timely liquidation of the advances, within five days after trip cancellation or five days after concluding the travel. d. Compare travel vouchers and accompanying general ledger entries for accuracy and completeness. e. Verify the timely recording of the advances.
3. Prepayments are properly and promptly recorded and liquidated.	a. Compare sample documents and associated general ledger entries for accuracy and completeness of data entry. b. For each selected sample advance document: <ul style="list-style-type: none"> - Trace debit entries to cash disbursements. - Trace credit entries to documented evidence that services or goods were received or if prepayment was canceled and an account receivable was created. c. Verify the timely recording and liquidation of prepayment transactions to the general ledger account.
4. Advances are properly presented in the financial statements.	<u>Servicing Finance Offices (SFOs)</u> a. Verify the accuracy of the general ledger Advances & Prepayments account balance by reviewing subsidiary ledgers and associated supporting documentation. <u>Headquarters</u> b. Review the general ledger account structure and ensure that advances and prepayments are properly classified according to the requirements of the U.S. Standard General Ledger (SGL). c. Review the financial statements' presentation of advances and prepayments and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> , for the current fiscal year.

TEST PROCEDURE 12. FINANCIAL REPORTING ACCOUNTING STANDARDS

(Note: this section will be further revised to comply with OMB Circular A-123-Revised, Amendment A.)

Federal Financial Reporting Objectives

Federal financial reporting should enable the reader or report users to:

- Determine how budgetary resources have been obtained and used and whether the acquisition and use were in accordance with the legal authorization.
- Evaluate the service efforts, costs, and accomplishments of the reporting agency; the manner in which these efforts and accomplishments have been financed; and the management of the agency's assets and liabilities.
- Determine whether future budgetary resources will be sufficient to sustain public services and meet obligations as they come due.
- Understand whether adequate financial management systems and internal controls are in place.

Financial Reporting

Federal agencies are required to prepare specific quarterly and annual financial statements in accordance with provisions in OMB's Bulletin 01-09, *Form and Content of Agency Financial Statements*. The bulletin is issued under the authority of 35 USC 3515(d), pursuant to the CFO Act as amended by the Reports Consolidation Act of 2000 (P.L. 106-531). The provisions of this bulletin are based upon Federal Accounting Standards Advisory Board (FASAB) standards and concepts, technical bulletins, and implementation guides, along with specific AICPA and Financial Accounting Standards Board (FASB) pronouncements.

Note Disclosures

A description of all significant accounting policies, identifying and describing the accounting policies followed by the reporting entity and the methods of applying these principles should be included in the notes to the financial statements as the Summary of Significant Accounting Policies (e.g., recognition of revenue, depreciation methods, and related-party transactions).

The financial statements provide information that is useful to the Congress, managers, and the public. Agencies should conform to the prescribed form and content unless the particular operations or organization of the agency or the program requires reporting due to a variance. Since fiscal year 1995, agencies have prepared consolidated agency-wide annual financial statements. Agencies must continue to prepare reports, which are used to monitor and control obligations and expenditures of budgetary resources.

Agency-audited annual financial statements are required to be submitted to the Office of Management and Budget by November 15 and include:

- Management discussion and analysis – Provides a clear and concise narrative description of the reporting entity and its missions, activities, accomplishments, and overall financial results and condition.

- Principal statements and related notes: (1) Balance Sheet; (2) Statement of Net Cost; (3) Statement of Changes in Net Position; (4) Statement of Budgetary Resources; (5) Statement of Financing; and (6) Statement of Custodial Activity, when applicable.
- Required supplementary stewardship information (RSSI). Statement of Federal Financial Accounting Standards (SFFAS) 8 establishes standards for reporting on the federal government's stewardship over (1) certain resources entrusted to it, identified as stewardship property, plant and equipment and (2) certain responsibilities assumed by it, identified as the current service assessment.
- Required supplementary information – This section should contain other financial and management information that supports information presented in the overview of the reporting entity and information that would otherwise enhance an understanding of the financial condition and operation of the reporting agency.

In addition, agencies are required to prepare and submit quarterly unaudited financial statements without footnotes to OMB 21 days after the end of the quarter.

FACTS I Reporting

Department of Treasury requires agencies to transmit electronically in the Government Financial Report System (GFRS) a pre-closing adjusted trial balance (ATB) at the Department of Treasury appropriation/fund group level, using the US SGL accounts and supporting notes.

EPA Policies and Procedures

Policy Announcement 03-11, Preparing EPA's Interim and Annual Audited Financial Statements, dated September 30, 2003.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>1. Financial reports are presented in compliance with the requirements of Department of Treasury, Office of Management and Budget (OMB) and FASAB.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Review the presentation of the principal financial statements and related notes and verify that EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i>. b. Verify that the financial statements are compiled in accordance with Department of Treasury's published SGL crosswalks. c. Verify that the financial statements and related footnotes include comparative information from the current year and prior year. d. Verify that the FACTS I Closing package is in compliance with Department of Treasury's TFM 2-4700. e. Verify that required reports are submitted on established due dates and have management approval.
<p>2. Underlying records fully support the information presented on the financial statements and related notes.</p>	<ul style="list-style-type: none"> a. Verify that the financial statements and related notes are compiled using data recorded in the agency accounting system. b. Verify that adjustments ("on top") to the financial statements and related notes not recorded in the agency accounting system are adequately documented.
<p>3. Financial statements and related notes include all necessary accruals and adjustments to properly report on the financial position of EPA.</p>	<ul style="list-style-type: none"> a. Verify that the payable, grant, and payroll accruals have been recorded in IFMS. b. Verify that the financial statements and related notes include necessary "on top" adjustments for imputed costs. c. Verify that the "on top" reclassification adjustment for payroll benefit expenses has been included in the financial statements. d. Verify that BPD consolidation balances have been recorded as "on top" adjustments to the financial statements. e. Verify that necessary PP&E "on top" adjustments have been recorded in the financial statements. f. Verify that intra-entity account balances have been eliminated from the consolidated financial statements. g. Verify that any other necessary correcting "on top" adjustments have been included in the financial statements.

CONTROL OBJECTIVES	TEST PROCEDURES
4. Edit checks are performed on the financial statements.	<ul style="list-style-type: none"> a. Verify that the beginning balances on the current year financial statements match ending balances from the prior year. Ensure that "on top" adjustments from the prior fiscal year have been brought forward as post-closing balances. b. Verify that the "on top" adjustments from the prior year have been reversed at the beginning of the current fiscal year. c. Verify that all of the financial statements balance (i.e., total budgetary resource equals the total status of budgetary resource on the Statement of Budgetary Resources). d. Verify that the relationships between the various financial statements are correct (i.e., the net cost of operations line on the Statement of Net Cost equals the net cost of operations line on the Statement of Financing). e. Verify that the amounts presented in the notes agree with the amounts presented in the applicable financial statement.
5. Reconciliations and analyses are performed on a routine basis.	<ul style="list-style-type: none"> a. Verify that reconciliations of designated SGL accounts have been performed. b. Verify that reconciliations of budgetary and proprietary accounts are performed on a quarterly basis. c. Verify that the budgetary appropriations and rescissions recorded in IFMS are reconciled to the corresponding warrants and SF 1151s, as well as the Letter of Apportionment. d. Verify that the "open" accounts receivable billings report is reconciled to the general ledger. e. Verify that regional property reports are reconciled to the general ledger. f. Ensure that quarterly analyses are performed on comparative financial statement line items greater than the established material threshold.

TEST PROCEDURE 13. FUNDS CONTROL ACCOUNTING STANDARDS

General

Funds control refers to control over the use and management of fund appropriations to ensure that: (1) funds are used only for authorized purposes, (2) funds are economically and efficiently used, (3) obligations and expenditures do not exceed the amounts authorized and available, and (4) the obligation or disbursement of funds is not reserved or otherwise withheld without Congressional knowledge and approval.

Limitation Control Requirements

Agencies are precluded by the Antideficiency Act (31 U.S.C. 1341) from (1) incurring obligations or expenditures in excess of the amounts available in appropriations, fund accounts, or apportionments, or (2) from obligating or expending amounts required to be sequestered. Agencies are also precluded from exceeding allotments, sub-allotments, or other subdivisions of funds. In addition, the Antideficiency Act requires agency heads to establish fund control systems that can be used to identify agency staff responsible for causing obligations or expenditures to exceed limitations.

Agencies administering appropriation and fund accounts are responsible for ensuring that the amount obligated does not exceed the legally imposed limitations. Agencies are also responsible for establishing and preparing reports for ensuring compliance with the limitations.

Transactions Among Appropriations and Fund Accounts

Transfers of funds among appropriations and fund accounts are prohibited, except as authorized by law. The prohibition applies equally to transfers among separate appropriations and fund accounts available to an agency or among agencies.

Control Over Funds

Each agency is required by 31 USC 1514 to have a system of administrative control of funds, approved by the President, that restricts obligations or expenditures to the amounts appropriated to applicable fund balances and to the amounts of apportionments or reappropriations made for the current fiscal period. Reserves established by the Director of OMB or other authorized officials are also to be controlled.

Reporting

In accordance with laws and regulations, the status of funds and related transactions must be reported to Department of Treasury and OMB. In addition, any violations of appropriations or other fund limitations must be disclosed in the notes to the financial statements. Any major restrictions or limitations on the use of funds (such as limitations on amounts that can be spent for certain types of expenditures, e.g., travel) contained in the appropriation acts may also be disclosed, as well as violations of such restrictions.

Reporting on Appropriation, Receipt, and Fund Accounts

Agencies are required to report charges and credits to appropriation, receipt, or fund accounts consistent with the fund account symbols and titles and the U.S. Standard General Ledger (SGL) uniform chart of accounts.

Reporting Appropriations

Available appropriations must be reported in EPA's financial statements (in the Statement of Changes in Net Position) for the fiscal year for which the appropriations are made. Appropriations withdrawn must be reported as reductions to available appropriations in the financial statements for the period in which the appropriations are withdrawn. Restorations must be reported in the financial statements in the period in which the restoration is made.

Unexpended appropriations must be reported in the equity section of the Statement of Financial Position. Obligated but unexpended appropriations must be reported separately from unobligated appropriations.

Expended appropriations (other than appropriations expended for property, plant, and equipment) for a given period must be reported for that period as an item of financing of operations and be differentiated from reimbursements, transfers-in, donations, revenues, and gains. Appropriations expended for property, plant, and equipment initially must be recorded as assets and an increase in Invested Capital. If the asset is depreciated, a portion of the Invested Capital account equal to depreciation expense must be removed from the Invested Capital account and reported as a financing source. Outlays representing checks issued or cash disbursed to liquidate obligations must be reported as (1) costs of operations in the period in which the disbursement was made, unless a liability was established at the prior period end, or (2) the cost or part of the cost of assets acquired that will be used in future periods, such property, plant, and equipment.

EPA Policies and Procedures

Resources Management Directive 2510, Annual Budget Guidance.
Resources Management Directive 2520 – Rel 2.0, Administrative Controls.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
1. The financial management system records, controls, and reports EPA's obligations in a manner that supports execution of the budget.	<u>Headquarters</u> <ol style="list-style-type: none"> Trace the recording of an appropriation and approved apportionment into the general ledger accounts. Verify whether the allowance issued matches the amount authorized in the allotment. Review the structure of the subsidiary records to ensure that they balance to the general ledger accounts. Review posting of allowances into the accounting system for adequacy of controls and timeliness of entry.
2. EPA must establish general ledger accounts for each appropriation and fund account for selected assets, liabilities, and equities.	<u>Headquarters</u> <ol style="list-style-type: none"> Verify whether general ledger accounts are maintained for each appropriation and fund. Review the monthly trial balance list of accounts and fund control statement.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>3. Data on proposed expenditures must be systematically accumulated in accounting records in advance of becoming valid obligations.</p>	<p><u>Headquarters/SFOs</u></p> <ul style="list-style-type: none"> a. Review the process for the recording of commitments for timeliness, completeness, and accuracy of entries. b. Review the general ledger accounts for the recording of apportionment amounts. c. Ensure open commitment amounts and obligations do not exceed limitations (e.g., travel and Superfund).
<p>4. To control funds adequately, there must be an effective verification of available funds before creating an obligation, and obligation information must be promptly and accurately accumulated and reported.</p>	<p><u>Headquarters/SFOs</u></p> <ul style="list-style-type: none"> a. Review compliance with procedures for maintaining the funds control records and the process for recording transactions. b. Verify that funds authorized for a given purpose were actually spent for that purpose. c. Verify for appropriations and fund accounts that the amount obligated does not exceed the legally imposed limitations. d. Examine for compliance the procedures for notification and correction of errors. e. Examine the timing of obligations and their recording in IFMS.
<p>5. The status of funds and related transactions are reported to Department of Treasury and OMB according to the accounting standards.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Review the funds control records and reports to Department of Treasury and OMB. b. Reconcile the reports with the funds control records. c. Review funds control records for any limitations or restrictions. Verify the financial statements for appropriate disclosure of such limitations or restrictions.
<p>6. Review budget execution for compliance with operating plans.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Obtain sample SF 133 reports (Report on Budget Execution) and compare with relevant operating plans.
<p>7. Appropriations are properly presented in the financial statements and disclosures are adequate.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Consider the financial statement presentation of appropriation information and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i>, for the current fiscal year.

TEST PROCEDURE 14. TRAVEL EXPENSE AND REIMBURSEMENTS ACCOUNTING STANDARDS

Authorization of Travel

Travel expenses can be claimed by all employees authorized to travel on business for the federal government. Except when provided by law, all travel should be either authorized or approved by the EPA Administrator or by an official to whom such authority has been delegated.

Ordinarily, a travel authorization must be issued before expenses are incurred. A travel-authorizing official should authorize or approve only that travel necessary to accomplish the Agency mission in the most effective and economical manner. General or blanket travel authorizations may be used for individual travelers but may not be used for groups of employees. All travelers must have specific travel authorizations for each trip.

Sources of Funds

Agencies and travelers should take all reasonable steps to minimize the cash burden on both EPA and the traveler. These steps include, but are not limited to, using government contractor-issued charge cards, travelers' checks, or contractor-provided automated-teller-machine (ATM) services. To manage federal financial resources more effectively for travel expense purposes:

- Agencies should limit the advance of travel funds to those estimated expenses that a traveler is expected to incur in connection with authorized travel and that normally would be paid using cash. Cash transaction expenses are those travel expenses that as a general rule cannot be charged and must, therefore be paid using cash, personal checks, or traveler checks. Agencies should follow up with travelers to assure that vouchers are submitted within established timeframes.
- Agencies should process travel vouchers promptly to recover any excess travel advances or to provide payment to employees. Agencies must establish internal policies and procedures to ensure that travel vouchers are paid within 10 working days after the end of each trip or travel period for which a voucher is filed.

Government Contractor-Issued Charge Cards

Agencies should offer government contractor-issued charge cards to all employees who are expected to travel at least twice a year. Travelers who are issued charge cards are encouraged to use them to pay for official travel expenses to the maximum extent possible. When authorized, the charge card may be used to obtain cash travel advances at ATMs worldwide.

ATM withdrawals are limited to the amounts stated in the ATM cardmember agreement and the employee's travel authorization. The use of cash withdrawn from an ATM is subject to all applicable EPA regulations with respect to travel advances. The employee should be reimbursed by EPA for all authorized and allowable travel and transportation expenses. Charges in excess of authorized and allowable travel and transportation expenses are the financial responsibility of the employee and are not reimbursable.

Travel Card Training

Training for holders of the travel card must provide general information on traveling for the government and include information on how to use a travel card. It must familiarize the card holders with federal travel regulations, agency travel card policies and procedures, and proper card use.

Reimbursements

Reimbursements are payments made by a federal agency to cover certain expenses incurred by the employees and which have not yet been paid for the agency, e.g, reimbursements for travel, transportation, and conveyance expenses.

All persons authorized to travel on business for the federal government should keep a record of expenditures properly chargeable to the government, and note each item at the time and date the expense is incurred. All claims for the reimbursement of traveling expenses should be submitted on authorized reimbursement forms and must be itemized and stated in accordance with the FTR. The travel voucher must be supported by a copy of the travel authorization. Receipts are required for allowable cash expenditures in amounts in excess of \$75 plus any applicable tax.

EPA Policies and Procedures

- Resources Management Directive 2550B, EPA Travel Policies and Procedures.
- Policy Announcement 05-04, Implementation of e-Travel Services-Travel Management Center, dated April 19, 2005.
- Policy Announcement 05-03, Update Guidelines for the Government Travel and Transportation Charge Card, dated February 18, 2005.
- Policy Announcement 04-03, Income Tax Reimbursement Allowances for Extended TDY Assignments, dated July 28, 2004.
- Policy Announcement 02-03, Implementation of Travel Manager, dated November 28, 2001.
- Policy Announcement 02-03, Amendment 1, Revisions to Travel Manager Policy and Procedures, dated February 4, 2003.
- Policy Announcement 02-03, Amendment 2, Revisions to Travel Manager Policy and Procedures, dated October 21, 2003.
- Policy Announcement 02-03, Amendment 3, Revisions to Travel Manager Policy and Procedures, dated September 17, 2004.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

CONTROL OBJECTIVES	TEST PROCEDURES
1. Ensure that travel vouchers are properly prepared according to pertinent EPA regulations and procedures.	Review travel vouchers to: a. Ascertain accuracy of the amounts claimed. b. Ensure that claims for reimbursement of travel expenses are submitted on authorized reimbursement forms and itemized and stated in accordance with the travel regulations.
2. Claims for reimbursement are supported per the Federal Travel Regulations (FTR).	Review travel vouchers to ensure that: a. Travel vouchers are supported by a copy of the travel authorization. b. Expenditures in amounts in excess of \$75 plus any applicable tax are supported by receipts.
3. Transactions are for authorized travel and for allowable expenditures.	Review travel vouchers to determine that: a. Travel conducted was completed according to the travel authorization. b. Expenditures charged are permitted by the FTR, Comptroller General decisions, and EPA policy. c. Expenditures are within the allowable limits. d. ATM withdrawals are for authorized travel advances.
4. Travel advance payments, refunds of excess travel advances, and travel voucher payments must be completed within a reasonable timeframe.	Review travel claims to verify that: a. Travel advances (non-ATM) are made no earlier than three days prior to travel <i>begin</i> date. b. Travel expense is substantiated (by filing a properly completed travel voucher) within five days of the completion of travel or 30 days if the employee is in continuous travel status. Determine whether the Finance Office notified the traveler if a voucher was not submitted within the established timeframe. c. The Finance Office checked for excess funds. Any excess amount should be returned within five days of completion of travel.
5. Subsidiary and control accounts are in agreement.	a. Verify that expense and reimbursement accounts are properly liquidated when travel has occurred and the payment is charged to the operating expense account. b. Examine subsidiary and control account data generated from IFMS for reconciliation. c. Review travel vouchers and accompanying general ledger entries for appropriate and accurate accounting data as well as correct calculations.

CONTROL OBJECTIVES	TEST PROCEDURES
6. Travel expenses and reimbursements are properly presented in the financial statements.	<u>Headquarters</u> a. Review the financial statement presentation of advances and reimbursements and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> for the current fiscal year.

TEST PROCEDURE 15. CLAIMS AGAINST THE GOVERNMENT ACCOUNTING STANDARDS

General

Claims against the U.S. government are filed with the agency where the claim began. The agency assembles and maintains information relevant to settling the claim. The claim is then settled based on governing statutes or regulations. These regulations provide for the agency to resolve the claim or to refer it for settlement to the General Accounting Office (GAO), Department of Justice (DOJ), or other responsible body as specified by statute or regulation.

Discharge of Statutory Settlement Authority

GAO discharges its responsibility for the settlement of claims against the U.S. government in three ways: (1) through the audit of transactions after payment and settlement of the accounts of accountable officers, (2) by adjudication before payment is made or denied, or (3) by adjudication upon appeal following denial of a claim by an agency.

Claims Required to Be Submitted to Claims Division

- Claims that involve doubtful questions of law or fact, except those under \$25, and claims that have been the subject of an advance decision of the Comptroller General. In either case a reference to the decision must appear on the voucher supporting the document.
- A claim that contains items that involve doubt or items that the agency can settle administratively. Only the doubtful portions that are equal or greater than \$25 should be referred to GAO for settlement.
- Claims regardless of doubt that are required by statute, regulation, or by decision of the Comptroller General to be settled at GAO before payment is made or denied, must be submitted to GAO.
- Reclaims of items previously denied by the administrative agency, unless it is determined administratively that the action taken was clearly in error and can be corrected by the agency.

Claims that appear to be barred by an applicable statute of limitation at the time of receipt by the agency should be submitted to GAO.

Submission by Administrative Agency

Claims submitted to the claims division by administrative agencies should be accompanied by an administrative report containing:

- Identification (claimant's agency, social security number, employer identification number).
- A statement of facts regarding the origin of the claim.
- A statement of the doubt or other reason for forwarding the claim.
- A recommendation for the proper disposition.
- A citation of pertinent supporting documents such as contracts and vouchers.
- A statement that the claim has not been paid and will not be paid except pursuant to certification in the name of the Comptroller General.
- A complete symbol citation for the applicable appropriation or fund.

Reporting

Claims against the government should be disclosed in compliance with OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, for the current fiscal year.

Test Procedure

The following test procedures are *examples*. Each office may develop and perform additional test procedures to ensure compliance with the accounting standards and control objectives for the event cycle.

It is anticipated that the number of claims will be small, and therefore, all Agency claims should be reviewed.

CONTROL OBJECTIVES	TEST PROCEDURES
<p>1. Claims against the government are processed in accordance with applicable laws and regulations.</p>	<p><u>Headquarters</u></p> <ul style="list-style-type: none"> a. Verify whether the claim documents are submitted to the GAO Claims Division in accordance with requirements. b. Verify whether the claim forms have been signed by the claimant or an authorized agent or attorney. c. Verify whether a claim filed by an agent or attorney is supported by a duly executed power of attorney or other documentary evidence of the agent's or attorney's right to act for the claimant. d. For claims equal to or greater than \$25, verify that only the doubtful claims are sent to GAO. e. Verify that claims that are required by statute, regulation, or by decision of the Comptroller General to be settled at GAO before payment, is made or denied are submitted to GAO. f. For claims previously denied, verify that they are sent to the GAO unless there was an apparent error. g. Verify that claims barred by a statute of limitation are sent to the GAO.
<p>2. Claims submitted to the GAO Claims Division are accompanied by administrative reports.</p>	<p><u>Headquarters/SFOs</u></p> <ul style="list-style-type: none"> a. Verify that the administrative report accompanying claim forms submitted to the GAO Claims Division contains the claimant agency's serial/branch and social security number for purposes of identification. b. Verify the statement of facts. c. Verify the statement of doubt or other reason for forwarding the claim. d. Verify whether a recommendation for proper disposition is attached. e. Verify that there is a citation of pertinent supporting documents such as contracts and vouchers. f. Verify that a symbol citation for the applicable appropriation or fund exists. g. Verify that there is a statement that the claim has not been paid and will not be paid except pursuant to certification in the name of the Comptroller General.

CONTROL OBJECTIVES	TEST PROCEDURES
3. Claims against the government are properly disclosed in EPA's financial statements.	<u>Headquarters</u> a. Verify that the contingent liability, claims against the government, disclosed in the financial statements has been reasonably estimated. b. Review the financial statement presentation of claims against the government and determine whether EPA's presentation is in compliance with OMB Bulletin 01-09, <i>Form and Content of Agency Financial Statements</i> , for the current fiscal year.

TEST PLAN C: QUALITY ASSURANCE REVIEW FOR SYSTEMS THAT INTERFACE WITH THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS)

(Office of Financial Management, Financial Systems Staff coordinates review with appropriate offices.)

PURPOSE

The purpose of the questionnaires in the test plan is to determine whether EPA's financial management systems conform to functional requirements. The results of the questionnaires will determine transaction testing for accounting events (Test Plan B) and might affect the analysis of the general control environment (Test Plan A).

BASIS

The Office of Management and Budget (OMB) Circular A-127-Revised, *Financial Management Systems*, prescribes policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. The Circular requires the establishment of a single, integrated financial management system in each executive branch agency to provide complete, reliable, consistent, and timely financial information supporting federal government operations.

Section 7(g) of the Circular, *Functional Requirements*, requires agency financial management systems to conform to existing applicable functional requirements for the design, development, operation, and maintenance of financial management systems. Additional functional requirements may be established through OMB circulars and bulletins and the Treasury Financial Manual.

EPA Policy and Procedures

- Policy Announcement 05-06, System Interfaces with Integrated Financial Management System, dated May 11, 2005.
- Policy Announcement 05-01, Accounting for Information Technology, dated December 15, 2004.
- Policy Announcement 01-04, Policies and Procedures for Confirming and Reconciling EPA's Intragovernmental Transactions with Trading Partners, dated May 29, 2001.
- Policy Announcement 00-06, Policies and Procedures for Verifying and Correcting Trading Partner Information in EPA's Integrated Financial Management System, dated June 6, 2000.
- Transmittal 00-07, Recording Intragovernmental Transactions in the Integrated Financial Management System (IFMS), dated March 31, 2000.

CONTENT

The test plan for the functional review of financial systems consists of six sets of questionnaires, as follows:

C-1. General Financial Management System Requirements

- √ C1-1 Accounting Classification Structure
- √ C1-2 Application of the U.S. Government Standard General Ledger (SGL) at the Transaction Level
- √ C1-3 Federal Accounting Standards
- √ C1-4 Financial Reporting
- √ C1-5 Internal Controls

C-2. Accounting Functional Requirements

- √ C2-1 Standard General Ledger
- √ C2-2 Budget Execution and Funds Control
- √ C2-3 Accounts Payable
- √ C2-4 Accounts Receivable

C-3. Payroll System Functional Requirements

- √ C3-1 Pay Processing
- √ C3-2 Report Processing/Reconciliation

C-4. Travel System Functional Requirements

- √ C4-1 Travel Authorization
- √ C4-2 Travel Advances
- √ C4-3 Travel Vouchers
- √ C4-4 Local Travel
- √ C4-5 Sponsored Travel
- √ C4-6 Interface Requirements
- √ C4-7 Reports

C-5. Grants System Functional Requirements**C-6. Fixed Assets System Functional Requirements**

The majority of questions are constructed in a “Yes” or “No” answer format. Some questions require a narrative answer or description of a process or procedures. For all questions, space is provided for comments or other explanation.

EXECUTION

To adequately address the questions in the questionnaires, several steps must be taken to evaluate information from various sources:

- First, at a minimum, conduct interviews with personnel.
- Then, make observations, if possible, of operational procedures actually being performed.
- Review relevant documentation, including policies and procedures, review reports, desk procedures, organization charts, management directives, and position descriptions.
- Perform transaction testing to assess the system’s ability to process accurate, valid data and reject consistently invalid data. Testing should incorporate the full cycle of transactions, including transaction initiation, processing through the system, and ultimate posting to the accounts or inclusion in output reports.
- Review other test plans—in particular Test Plan B—to achieve maximum efficiency and effectiveness of testing.

Despite the fact that most of the questions in this test plan are provided in a “Yes” or “No” format, the questions are often quite subjective. Professional judgment must be exercised in determining the appropriate selection. One reviewer may conclude that the most appropriate answer is “Yes.” Another reviewer, under the same circumstances, may conclude that the appropriate answer is “No.” Further, cost benefit considerations come into play when determining the adequacy and sufficiency of testing procedures conducted. The cost of testing should not exceed the benefits derived from testing. A standard of reasonableness dictates that adequate testing has been performed to allow a reviewer to reach an opinion.

RESULTS

The Integrity Act requires a statement (Annual Assurance Letter) on whether the EPA’s financial management systems conform to government-wide requirements. If the systems do not conform to financial systems requirements, the Annual Assurance Letter should discuss EPA’s plans to bring its system into compliance. If the Administrator judges a deficiency in financial management systems to be material when weighed against other Agency deficiencies, the issue should be included in the Annual Assurance Letter as a non-conformance. The deficiencies deemed material must be reported and tracked as part of the Annual Assurance Letter submission. For deficiencies not included in the Integrity Act report, corrective action plans should be developed and tracked internally at the appropriate level of managerial responsibility.

A determination that a deficiency has been corrected should be made only when sufficient corrective action has been taken and the desired results achieved. The determination should be in writing and along with other appropriate documentation, should be available for review by the appropriate officials. In order to facilitate analysis and identification of control deficiencies, test results from the questionnaires should be summarized. A suggested collection tool is presented in Exhibit 4-3. The purpose of the schedule in this exhibit is to highlight questions with “No” answers, and where merited, develop and track corrective action.

EXHIBIT 4-3

[illegible]

- ## SECTIONS

4. Travel System Functional Requirements
5. Grants System Functional Requirements
6. Fixed Assets System Functional Requirements

QUESTIONNAIRE C-1: GENERAL FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS

The financial management system policy of the federal government requires the establishment of government-wide data financial systems and compatible agency systems. The systems must include standardized information and electronic data exchange between central management agencies and individual operating agency systems to meet the requirements of good financial management. The systems must provide complete, reliable, consistent, timely, and useful financial management information on federal government operations to:

- Enable central management agencies, individual operating agencies, divisions, bureaus, and other subunits to carry out their fiduciary responsibilities.
- Deter fraud, waste, and abuse of federal government resources.
- Facilitate efficient and effective delivery of programs by relating financial transactions to program performance.

In support of this objective, each agency must establish and maintain a single, integrated financial management system that complies with the characteristics outlined in Section 7 of OMB Circular A-127-Revised, *Financial Management Systems*. There are 12 broad requirements areas included in Section 7. The five that apply to EPA are listed below, and a separate questionnaire for each of these five requirements areas is provided.

- ✓ C1-1 Accounting Classification Structure
- ✓ C1-2 Standard General Ledger at the Transaction Level
- ✓ C1-3 Federal Accounting Standards
- ✓ C1-4 Financial Reporting
- ✓ C1-5 Internal Controls

Questionnaire C1-1: Accounting Classification Structure

The accounting classification structure is a subset of EPA's financial information classification structure, which also includes financially related personnel information, performance measurement information, and other financial information needed by the Agency. The classification structure provides the means for categorizing financial information along several dimensions as needed to support financial management and reporting functions. The data elements included in the classification structure depend, in part, on the implementation strategy of the U.S. Standard General Ledger (SGL) (e.g., use of sub-accounts versus data elements), aggregation requirements for preparation of financial statements under the CFO Act, appropriation structure, and internal reporting and management needs of EPA. The basic objectives of the accounting classification structure will:

- Minimize data redundancy.
- Ensure consistent collection of information for similar transactions throughout EPA.
- Encourage consistent formats for entering data directly into the financial management systems.

- Ensure consistent information is readily available and provided to internal managers at all levels within the organization.
- Track specific program expenditures.

1a.	Is the chart of accounts in the financial system consistent with the basic four-digit structure provided in the SGL?	YES	NO
1b.	Describe any inconsistency with the SGL in the accounting classification structure.		

2a.	Are the account titles in the financial system consistent with the basic account titles provided in the SGL?	YES	NO
2b.	Describe any inconsistency with the SGL in the account titles.		

3.	Is the fund structure capable of handling the Federal Account Symbols and Titles (FAST) structures established by Department of Treasury?	YES	NO
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4.	Is the system capable of handling all Department of Treasury symbols for all accounts?	YES	NO
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5a.	Does the budget program classification structure allow reporting of results for all categories in which budgetary decisions are made (decision unit, program element, subprogram, activity, and sub-activity)?	YES	NO
5b.	Identify any inconsistencies in the budget program classification structure.		

6a. Does the organization classification structure provide for: (1) Agency, Bureau, Office, Division, Branch, Unit (to assign responsibility)? (2) Budget Center, Cost Center (to identify benefiting responsibility centers)? (3) Accounting Office, Agency Location Code (to identify financial responsibility)?	YES YES YES	NO NO NO
6b. Identify any inconsistency in the organization classification structure.		

7a. Does the project classification structure provide for project, subproject, task/work order, work unit/job order, and function?	YES	NO
7b. Identify any inconsistencies in the project classification structure.		

8a. Does the object class code provide for object and sub-object (to identify goods and services, and revenues where applicable)?	YES	NO
8b. Identify any inconsistencies in the object classification structure.		

9a. Does the accounting classification code structure support organizational budget, accounting, and financial management reporting?	YES	NO
9b. Identify areas not supported by the accounting classification code structure.		

10a. Identify instances where posting is performed to a summary account and not to an individual account.

10b. Identify instances where posting is performed to a summary account and not to an individual account.

Questionnaire C1-2: Application of the U.S. Government Standard General Ledger at the Transaction Level

Financial events must be recorded by EPA throughout the financial management system by applying the requirements of the SGL at the transaction level. Application of the SGL at the transaction level means that the financial management systems will process transactions following the definitions and defined uses of the general ledger accounts described in the SGL. Compliance with the standard requires:

- *Data in Financial Report Consistent with the SGL.* Reports produced by the systems that provide financial information, whether used internally or externally, must provide financial data that can be traced directly to the SGL accounts.
- *Transactions Recorded Consistent with SGL Rules.* The criteria (e.g., timing, processing rules and conditions) for recording financial events in all financial management systems must be consistent with accounting transaction definitions and processing rules defined in the SGL.
- *Supporting Transaction Detail for SGL Accounts Readily Available.* Transaction detail supporting SGL accounts must be available in the financial management systems and directly traceable to specific SGL account codes.

Application of the SGL may be supplemented to meet EPA-specific information requirements. EPA must follow guidelines provided in the SGL supplement to the Treasury Financial Manual.

1a. Are the transactions recorded consistently with the SGL?	YES	NO
1b. Identify the transaction types that are not consistent with the SGL.		

2a.	Are the details to support transactions readily available for SGL accounts?	YES	NO
2b.	Describe the transaction types for which supporting detail is not available.		

3a.	Are transactions categorized by fund, program, organization, project, and object class code?	YES	NO
3b.	Is the system capable of providing reports at any level within the structure?	YES	NO

4a.	Are the financial reports consistent with the SGL requirements?	YES	NO
4b.	Identify the reports that are not consistent with the SGL.		

5a.	Does the system ensure consistent format for entering similar data?	YES	NO
5b.	Describe instances where similar data are entered in different formats.		

6a.	Does the system minimize data redundancy?	YES	NO
6b.	Describe instances of duplicate transaction entry in the system.		

Questionnaire C1-3: Federal Accounting Standards

EPA's financial management systems must maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and issued by the Director of the Office of Management and Budget (OMB) and/or the Secretary of Department of Treasury. Where no accounting standards have been recommended and issued by FASAB, systems must maintain data in accordance with the applicable accounting standards used by EPA for preparation of its financial statements. EPA financial management systems must have the flexibility to adapt to changes in accounting standards.

1a.	Does the system maintain financial data in compliance with the FASAB standards?	YES	NO
1b.	Identify the financial data that are not in compliance with the FASAB standards.		
2a.	Does the system maintain financial data in compliance with GAO standards?	YES	NO
2b.	Identify the financial data that are not in compliance with GAO standards.		
3a.	Does the system provide financial reports consistent with the requirements of the OMB Bulletin 01-09, <i>Form and Content Bulletin for Agency Financial Statements</i>?	YES	NO
3b.	Identify the financial statements that are provided by the system that are not in compliance with the OMB Bulletin.		
4a.	Does the system provide financial reports that are consistent with the Department of Treasury requirements for financial reporting?	YES	NO

4b.	Identify the financial reports that are provided by the system that are not in compliance with the Department of Treasury reporting requirements.				
<table border="1"> <tr> <td data-bbox="115 548 162 575">5a.</td> <td data-bbox="215 548 1187 604">Are the transactions reported consistent with the Treasury Federal Account Symbols and Titles (FAST)?</td> <td data-bbox="1214 548 1268 575">YES</td> <td data-bbox="1365 548 1409 575">NO</td> </tr> </table>		5a.	Are the transactions reported consistent with the Treasury Federal Account Symbols and Titles (FAST)?	YES	NO
5a.	Are the transactions reported consistent with the Treasury Federal Account Symbols and Titles (FAST)?	YES	NO		
5b.	Identify the transactions that are not consistent with the Treasury FAST requirements.				

Questionnaire C1-4: Financial Reporting

EPA's financial management systems must provide complete, reliable, consistent, timely, and useful financial management information on operations to:

- Support the fiduciary role of management.
- Support the legal, regulatory, and other special management requirements for EPA.
- Support budget formulation and execution functions.
- Support fiscal management of program delivery and program decision making.
- Comply with internal and external reporting requirements, which include preparation of financial statements in accordance with the form and content prescribed by OMB, and the reporting requirements prescribed by Department of Treasury.
- Monitor the financial management system to ensure the integrity of the financial data.

EPA's financial management systems must capture and produce financial information required to measure program performance, financial performance, and financial management performance that will support budgeting, program management, and financial statement presentation. As new performance measures are established, EPA must incorporate the necessary information and reporting requirements into its financial management systems.

EPA's financial management systems must also provide the necessary data to prepare, execute, and report on the Agency's budget in accordance with the requirements of OMB Circular A-11, Part 4, *Instructions on Budget Execution*, and other circulars and bulletins issued by OMB.

1.	Does the system support management's fiduciary role and EPA's legal, regulatory, and other special management requirements?	YES	NO
2.	Does the system provide support for the preparation of accrual-based financial reports at user-specified intervals?	YES	NO
3.	Does the system provide budgetary information on an obligation basis and a cost basis?	YES	NO
4a.	Does the system provide for external reports required by Department of Treasury at the prescribed intervals?	YES	NO
4b.	Does the system prepare external reports?	YES	NO
4c.	Identify the Department of Treasury reports that are not provided by the system.		
5a.	Does the system provide financial information on prior year actual and current year-to-date?	YES	NO
5b.	Does the financial system provide the following OMB reports (as part of EPA's annual budget request) for the:		
	(1) Program and financing schedule?	YES	NO
	(2) Schedule of object classification and personnel summary?	YES	NO
	(3) Schedule on status of unfunded contract authority?	YES	NO
	(4) Schedule of amounts available for appropriation?	YES	NO
6a.	Does the system produce pre-defined internal reports, including exception reports, on a recurring or periodic basis?	YES	NO
6b.	Identify internal reports that are required by management but not provided by the system.		

7a.	Does the system accommodate additions, deletions, or changes to report content or format without major interruptions to normal processing?	YES	NO
7b.	Does the system provide an ad hoc reporting capability for both current and historical data?	YES	NO

8a.	Does the system capture and produce program information required to measure program performance to support budgeting and program management?	YES	NO
8b.	Identify the financial information required to measure program performance but not captured by the system.		

9a.	Does the system capture and produce financial information required to measure financial performance to support budgeting, program management, and financial statement presentation?	YES	NO
9b.	Identify the financial information required to measure financial performance but not captured by the system.		

Questionnaire C1-5: Internal Controls

EPA's financial management systems must include a system of internal controls that ensure the following:

- Resource data are consistent with laws, regulations, and policies
- Resources are safeguarded against waste, loss, and misuse
- Reliable data are obtained, maintained, and disclosed in reports

Appropriate internal controls must be applied to all system inputs, processing, and outputs. Such system-related controls form a portion of the management control structure required by OMB Circular A-123-Revised, *Management's Responsibility for Internal Control*.

1.	Do the system controls provide a reasonable level of confidence that waste, fraud, abuse, or error will be prevented?	YES	NO
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2.	Do the system controls ensure that the information used to produce financial statements and reports accurately reflects account balances and the results of operations?	YES	NO
3a.	Does the system provide document and transaction-level controls to ensure that an entire document is processed as coded and correctly recorded?	YES	NO
3b.	Identify additional document and transaction-level controls needed to ensure the accuracy of data entry.		
4.	Does the system provide audit trails to trace transactions from source documents, original input, system-generated transactions, and internal allocation transactions through the system?	YES	NO
5.	Does the system provide audit trails to trace source documents through successive levels of summarization to the financial statements and vice versa?	YES	NO
6a.	Does the system provide transaction details to support account balances?	YES	NO
6b.	Identify transaction types where adequate details are not provided.		
7a.	Does the system provide audit trails to identify changes made to system parameters and tables that would affect the processing of any financial transactions?	YES	NO
7b.	Does the system maintain and report a history of all changes to tables?	YES	NO
8a.	Does the system provide overall system controls to ensure the integrity of financial data?	YES	NO

8b.	Identify additional system controls needed to ensure the integrity of financial data.	

9a. Does the system provide controls to ensure that only authorized personnel have access to data for the purpose of viewing, recording, changing, or reporting information?	YES	NO
9b. Identify additional controls needed to ensure system access to only authorized personnel.		

QUESTIONNAIRE C-2: ACCOUNTING FUNCTIONAL REQUIREMENTS

The following section contains questionnaires for basic functions within a core financial management system. The core financial management system forms the foundation for EPA's Integrated Financial Management System (IFMS), which:

- Provides common processing routines.
- Supports common data for critical financial management functions affecting the entire EPA.
- Maintains the required general ledger control over financial transactions, resource balances, and other financial systems.

The core financial system also provides data for performance measurement, analysis, and preparation of the financial statement. Following are the four functions within the core financial system.

- √ C2-1 General Ledger
- √ C2-2 Budget Execution and Funds Control
- √ C2-3 Accounts Payable
- √ C2-4 Accounts Receivable

Questionnaire C2-1: General Ledger

The general ledger, the highest level of summarization, must maintain account balances by the fund structure and individual general ledger accounts established in the core financial system. Depending on reporting requirements, some or all general ledger accounts may have balances broken out by additional elements of the accounting classification structure.

All transactions (regardless of origin) that record financial events must post as individual or summary transactions to the general ledger. Transactions that originated in the core financial system must post individually to the general ledger. Transactions from other systems may post as individual or summarized transactions, but with the appropriate audit trail. The core financial system will not maintain duplicates of every transaction occurring in other systems. Rather than posting every payroll transaction for every employee, summary transactions by organization should be passed to the core financial system for posting.

The core financial system facilitates general ledger analysis and reconciliation. The system must provide the amounts to general ledger control accounts for reconciliation to ensure that detailed subsidiary accounts and system balances can be reconciled with reports from Department of Treasury and other agencies. As internal controls improve and system integration increases, out-of-balance conditions will decrease. The possibility for out-of-balance conditions will exist due to system failures, incorrect transaction definitions, or other conditions.

1a.	Does the system allow each transaction to update at least four pairs of debits and credits to general ledger accounts to ensure that debits equal credits?	YES	NO
1b.	Does the system provide control accounts in the general ledger to maintain a balance between the general ledger and ancillary systems, e.g., property and travel?	YES	NO
2a.	Is each SGL account supported by subsidiary accounts?	YES	NO
2b.	Do the subsidiary accounts provide detailed information appropriate for asset protection, management information, and fund accounting?	YES	NO
3.	Does the system support an account structure for multiple appropriations or funds and multiple fiscal years within the appropriations, including multi-year and no-year appropriations?	YES	NO
4.	Are budgetary accounts maintained on an obligation and cash basis?	YES	NO
5.	Are proprietary accounts maintained on an accrual basis?	YES	NO
6.	Does the system have the capability to provide for current accounting period processing, with automated month-end and year-end closing procedures, including consolidation and rollover of the general ledger account balances?	YES	NO
7a.	Does the system generate all required year-end closing transactions?	YES	NO

7b. Identify the year-end closing transactions not generated by the system.		
8.	Does the system provide for multiple preliminary closings before final closing, while maintaining the capability to post current period data?	YES NO
9.	Does the system maintain historical and comparative data to produce comparative financial statements, and retain the data for as long as EPA needs the data?	YES NO
10.	Does the system provide for electronic transfer of account balances to Department of Treasury?	YES NO
11.	Does the system provide for automatic generation of recurring accrual entries and reversals in the next fiscal period?	YES NO
12.	Does the system provide for capturing, classifying, summarizing and reporting current year and cumulative data on capital acquisitions, disposals, and assets on hand?	YES NO
13a.	Does the system provide the capability to accomplish the rollover of general ledger balances in a detailed manner that maintains the SGL attribute information required to satisfy FACTS I and FACTS II reporting requirement?	YES NO
13b.	Explain, if the response is NO.	
14a.	Does the system provide flexibility so that the system can adapt to changes in reporting requirements for FACTS I and FACTS II?	YES NO
14b.	Explain, if the response is NO.	

Questionnaire C2-2: Budget Execution and Funds Control

Each agency of the federal government is responsible for establishing a system to ensure that it does not obligate or disburse funds in excess of those appropriated and/or authorized. The budget execution and funds control within the core financial management system are EPA's primary tool for carrying out this responsibility.

Office of Management and Budget (OMB) Circular A-11, Part 4, *Instruction on Budget Execution*, set government-wide policy for funds management that the core financial system must meet. In addition to complying with the government-wide policies, budget execution and funds control must support EPA's policies on internal funds allocation methods and controls.

The funds control process records transactions affecting the resource usage accounts in the budgetary section of the SGL (e.g., commitments, undelivered orders, expenditures, reimbursements earned). Funds control provides appropriate warnings and controls to ensure that budgetary limitations are not exceeded.

1.	Does the system provide budget execution capability by recording the funding and related budget execution documents?	YES	NO
2.	Does the system provide complete, accurate, and timely data on the status of each account, showing:		
a.	Total budgetary resources available for obligation within each legal limitation?	YES	NO
b.	Total valid obligations incurred to date for each legal and Agency limitation?	YES	NO
c.	Estimated reimbursements and actual reimbursements available within each limitation?	YES	NO
3a.	Does the system provide for maintaining operating plans at any level of the classification structure?	YES	NO
3b.	Does the system track the use of funds through operating plans?	YES	NO
3c.	Does the system summarize, compare, and report the operating plans to the appropriate level of funds control?	YES	NO
4a.	Does the system maintain current information on commitments and obligations according to the classification structure on a fund-by-fund basis?	YES	NO
4b.	Does the system provide the capabilities and controls for authorized users to override fund certification tests?	YES	NO
5a.	Does the system record the effect of all transactions that impact the availability of funds, such as commitments, liquidations, obligations, and expenditures?	YES	NO

5b.	Does the system update all appropriate accounts to ensure that the system always maintains the current status of funds?	YES	NO
6.	Does the system establish and track the use of funds against limitations assigned by Department of Treasury?	YES	NO
7.	Does the system reject transactions failing the availability of funds test or any other critical edit and place them in an error file for corrective action?	YES	NO
8.	Does the system handle funds control for those funds that receive reimbursements or other budgetary authority in addition to appropriations?	YES	NO
9a.	Does the system record revolving fund balances net of claims against budgetary resources?	YES	NO
9b.	Does the system apportion revolving funds on an obligation basis?	YES	NO
10.	Does the system provide control features that ensure that amounts reflected in the funds control structure agree with the general ledger account balances at the end of each update cycle?	YES	NO
11.	Does the system generate required transactions as needed by the year-end closing procedures?	YES	NO
12.	Does the system provide support for budget submission and reports in accordance with OMB Circular A-11, Part 4?	YES	NO
13a.	Does the system provide support for budget requests submitted in accordance with OMB Circular A-11, Part 4?	YES	NO
13b.	Does the system provide for timely preparation of SF-132 (<i>Apportionment and Reapportionment Schedule</i>)?	YES	NO
13c.	Does the system provide for timely preparation of SF-133 (<i>Monthly Report on Budget Execution</i>)?	YES	NO

Questionnaire C2-3: Accounts Payable

The payment management function should provide appropriate control over all payments made by or on behalf of EPA. Payments are made for a variety of reasons to:

- Vendors in accordance with contracts

- State governments under a number of programs
- Employees for salaries and expense reimbursements
- Other federal agencies for reimbursable work
- Individual citizens receiving federal benefits
- Recipients of federal loans

Office of Management and Budget, *Prompt Payment, Final Rule 5 CFR 1315*, specifies government policy for payments made to vendors against contracts. To comply with 5 CFR 1315, EPA must make timely payments, pay appropriate interest and penalty fees for late payments, and ensure that discounts are taken for timely payments or when it is advantageous to the government. The Cash Management Improvement Act (CMIA) provides the requirements for grant payments made to states. Other regulations affect payments made for other purposes, including travel, payroll, and benefits.

Specific activities related to payments may be supported by other systems that provide summary data to the core financial system for control and management purposes. The other systems must meet the requirements for payment management. Other systems may also support activities that lead to the payment stage (e.g., recording obligations and expenditures and establishing payables), but depend on the core financial system to manage the actual payment process. For example, a travel system: (1) calculates the amount to be paid on a travel voucher, and (2) sends transactions to the core financial system to record the expenses and a payable to a traveler. The core financial system schedules the payment for disbursement and confirms that the payment occurred.

A. Vendor File

1.	Does the system maintain a vendor file that includes data to support the accounts payable process?	YES	NO
2.	Does the system maintain data related to employee payments made through other systems?	YES	NO
3.	Does the system provide the capability to report IRS 1099 data to vendors?	YES	NO
4.	Does the system allow more than one vendor address?	YES	NO
5.	Does the system allow new vendors to be added to the vendor file given proper authorization?	YES	NO
6.	Does the system permit users to define criteria for deleting vendors from the vendor file?	YES	NO

7.	Does the system reject ancillary system transactions that do not have a valid vendor identified? (Exception - overrides that are properly authorized)	YES	NO
8.	To support the payee information maintenance process, does the core financial system provide the capability to maintain payee (vendor) information to support obligation, accounts payable, and disbursement processes, including the following:		
a.	Vendor name (legal name and “doing business as” (DBA)), as appropriate?	YES	NO
b.	Tax identification number (TIN)?	YES	NO
c.	Vendor ID number (agency assigned)?	YES	NO
d.	Data universal numbering system (DUNS) number, including the maintenance of the ability to associate multiple DUNS numbers to a TIN?	YES	NO
e.	Organization type that can accommodate Central Contractor Registration (CCR) published business rules for organization types, such as sole proprietorship/individual, partnership, or employee?	YES	NO
f.	Business type that can accommodate CCR published business rules for business type, such as federal agency or local government?	YES	NO
g.	Federal versus non-federal indicator for FACTS reporting?	YES	NO
h.	ALC number (for federal vendors)?	YES	NO
i.	Six-digit trading partner code (for federal vendors)?	YES	NO
j.	Multiple payment methods, such as electronic funds transfer (EFT)?	YES	NO
k.	Three or more “remit to” addresses (to facilitate payments to vendors not required to register in CCR)?	YES	NO
l.	Three or more separate instances of banking information required to execute an EFT transaction, such as account and routing transit numbers?	YES	NO
m.	For CCR vendors (i.e., organizations that are required to register in the CCR), DUNS + Four for each instance of banking information?	YES	NO
n.	Bank account type (checking or savings)?	YES	NO
o.	Three or more contact names and telephone numbers (i.e., accommodate contact types defined as “mandatory” in CCR business rules)?	YES	NO
p.	Third-party information, such as payee TIN for notice of assignment, as appropriate?	YES	NO
q.	Subject to prompt-pay indicator?	YES	NO
r.	Internal Revenue Service (IRS) Form 1099 indicator?	YES	NO
s.	W-2 indicator?	YES	NO
t.	CCR indicator (required or exempt)?	YES	NO
u.	CCR status (i.e., active, inactive, or unregistered)?	YES	NO
v.	Comment field?	YES	NO
w.	Date of last update?	YES	NO
x.	User ID of last update?	YES	NO

9.	Does the system provide the capability to capture, store, and process information needed to create EFT payments in accordance with Department of Treasury standards?	YES	NO
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B. Commitments

1.	Does the system provide the capability to enter commitment documents online and from multiple locations?	YES	NO
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2.	Does the system check the commitment document against funds control and generate the commitment transaction?	YES	NO
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3a.	Does the system capture at a minimum: requisition number, line item, classification, structure, estimated amount, and desired delivery date?	YES	NO
3b.	Identify the data that are not captured by the system.		

4.	Are commitment documents allowed to be future dated, archived, and posted at the appropriate date?	YES	NO
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5.	Are commitment documents closed:		
a.	By the system upon issuance of an obligating document?	YES	NO
b.	By the user with appropriate authorization?	YES	NO
c.	As part of year-end closing?	YES	NO

C. Obligations

1.	Does the system provide the capability to enter obligating documents online and from multiple locations?	YES	NO
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2.	Does the system check funding limits for obligating documents, including amendments to obligating documents that result in a change to dollar amounts or to the classification structure?	YES	NO
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3.	Does the system generate obligation transactions and the liquidation of related commitments?	YES	NO
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4a.	Does the system capture and maintain the following information related to each obligation document, including amendments:		
a.	Obligating document number?	YES	NO
b.	Line item (e.g., description, quantity, unit price, total price, classification structure)?	YES	NO
c.	Expiration date?	YES	NO
d.	Expected receipt date?	YES	NO
e.	Vendor number?	YES	NO
4b.	Identify the information that is not maintained by the system.		
5.	Does the system provide for properly authorized cancellations of posted obligating documents?	YES	NO
6.	Does the system track the status of obligating documents throughout the acquisition process?	YES	NO
7.	Are the original machine-readable documents, along with all Amendments, retained for audit trail purpose?	YES	NO
8.	Are obligating documents closed either by the system automatically, upon complete performance/delivery, or by the user with appropriate authorization?	YES	NO
9.	Does the system record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented?	YES	NO
10a.	Does the system record Blanket Purchase Agreements?	YES	NO
10b.	Does the system record delivery orders on contracts?	YES	NO
11.	Does the system generate status and procurement history for documents such as multi-task contracts, grants, and Blanket Purchase Agreements?	YES	NO

D. Receipt, Inspection, and Acceptance

1.	Does the system record receipt, inspection, and acceptance of goods and services?	YES	NO
2.	Does the system generate an accrual transaction and liquidate the appropriate undelivered order once the goods or services are received, inspected, and accepted?	YES	NO
3.	Does the system meet the requirements of Prompt Payment, 5 CFR 1315, relating to:	YES	NO
a.	Receipt and acceptance processes?	YES	NO
b.	Determination of payment due dates?		
4.	Does the system provide for defining tolerances, rejections, and overrides for quantity variance between receiving reports and the obligating documents?	YES	NO
5.	Is the system capable of tracking quantity variances between the receiving report and the obligating document?	YES	NO
6.	Does the system match the obligating document, receiving report, and invoices?	YES	NO
7.	Does the system identify those instances where:		
a.	A receiving report or acceptance is missing?	YES	NO
b.	Goods or services have been received and accepted, but an invoice has not been entered?	YES	NO
8.	Does the system provide for interfacing of receiving data from other systems, such as inventory or property systems?	YES	NO
9.	Does the system process purchase returns, including rejection of part of a shipment?	YES	NO
10a.	Does the system allow transactions to be entered directly for those events that will result in payment but are not part of the commitment, obligation, and matching process?	YES	NO

10b.	Identify the events that are not handled by the system (without commitment, obligation, and matching processes).
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11a.	Is the system capable of processing disbursements related to advances, grants, loans, and Automated Clearing House drawdowns?	YES	NO
11b.	Identify the disbursement functions that are not handled by IFMS.		

12a.	Does the system perform funds control checks for all authorized payment transactions?	YES	NO
12b.	Does the system subject all transactions to edits, validations, and error-correction procedures?	YES	NO
12c.	Does the system perform funds control checks for the invoices that exceed the obligated amount?	YES	NO

E. Disbursements

1a.	Does the system schedule payments in accordance with Prompt Payment, 5 CFR 1315?	YES	NO
1b.	Does the system compute:		
a.	Discount amounts?	YES	NO
b.	Withholdings?	YES	NO
c.	Interest or penalties?	YES	NO
1c.	Does the system collect information on discounts taken and lost and interest penalties?	YES	NO

2.	Does the system provide for automated approval of payment schedules?	YES	NO
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3a.	Does the system generate all relevant identification information for each payment, such as order number, invoice number, and interest penalty?	YES	NO
3b.	Does the system automatically compute totals by appropriation symbol for inclusion on the payment schedule?	YES	NO

4.	Does the system allow changes to payment schedules by authorized personnel?	YES	NO
5a.	Does the system allow a payment to be removed from automated scheduling and be manually scheduled?	YES	NO
5b.	Does the system perform all the necessary functions related to manual schedules (e.g., updating the payment history, the general ledger, and funds control)?	YES	NO
6.	Does the system verify transactions by comparing invoice number, amount, and dates to avoid payment of duplicate invoices?	YES	NO
7.	Does the system provide for handling voided payments by reversing the accounting transactions leading to the disbursement and reestablishing the obligation, if appropriate?	YES	NO
8a.	Does the system provide for the automated comparison of EPA's payment schedule and Department of Treasury's accomplished payment schedule?	YES	NO
8b.	Does the system update EPA's records with the following when payment information is received from Department of Treasury:		
a.	Paid schedule number?	YES	NO
b.	Check or Input Message Acknowledgment (IMA) numbers?	YES	NO
c.	Date and amount of payment?	YES	NO
9.	Does the system provide the capability to generate ACH payment in the following formats?		
a.	Corporate trade exchange (CTX) (820 or Flat File)	YES	NO
b.	Cash concentration or disbursement (CCD)	YES	NO
c.	Cash concentration or disbursement plus addendum (CCD+)	YES	NO
d.	Prearranged payment and deposit (PPD)	YES	NO
e.	Prearranged payment and deposit plus addendum (PPD+)	YES	NO
10.	Does the system provide the capability to ensure that employee ACH payments are generated only as PPD or PPD+ payments?	YES	NO
11.	Does the system provide the capability to consolidate multiple payments to a single payee in accordance with the Treasury Financial Manual?	YES	NO

F. Reporting

1.	Does the system produce detailed listings by level of funds control for the commitment documents, obligation documents, and expenditure of funds documents?	YES	NO
2.	Does the system generate the following reports:		
a.	Requisitions aged reports?	YES	NO
b.	Receiving aged reports without acceptance reports?	YES	NO
c.	Aged outstanding obligating documents reports?	YES	NO
d.	Unmatched aged vendor invoice reports?	YES	NO
e.	Vendor listing reports?	YES	NO
f.	IRS 1099 reports?	YES	NO
3.	Does the system generate the following reports in accordance with Prompt Payment, 5 CFR 1315:		
a.	Number of interest penalties paid?	YES	NO
b.	Dollar amount of interest penalties paid?	YES	NO
c.	Relative frequency (on a percentage basis) of interest penalty payments made to the total number of payments made?	YES	NO
d.	Number, total amount, and relative frequency (on a percentage basis) of payments made 5 days or more before the due date, except where cash discounts were taken?	YES	NO

G. Other Capabilities

1.	Does the system maintain historical data on all commitment, obligation, receipt, and payment transactions?	YES	NO
2.	Does the system maintain open documents to show status of commitments, obligations, accruals, and disbursements by document line item?	YES	NO
3.	Does the system maintain payment history of every payment by authorizing document number, payment schedule number, payment date, invoice number, vendor number, and appropriation charged?	YES	NO
4a.	Does the system provide online access to vendor activity by vendor name and number?	YES	NO
4b.	Does the system provide a search capability for vendor information?	YES	NO

5.	Does the system identify and store information related to reimbursements made to employees or others when the payment is considered miscellaneous income subject to federal tax and reportable to the IRS?	YES	NO
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Questionnaire C2-4: Accounts Receivable

The core financial management system receipt management function supports activities associated with recording EPA's cash receipts, including servicing and collecting receivables. Receivables are established to account for amounts due from others as the result of performance of services by EPA; delivery of goods sold; passage of time (e.g., interest earned); loans made to others that must be repaid; or other actions. Some receipts may be collected without the prior establishment of a receivable, as in the case of program fees and Freedom of Information Act (FOIA) requests.

A receivable is recognized when EPA establishes a claim to cash or other assets against other entities, either based on goods or services provided or on legal provisions, such as payment due date (e.g., penalties not received by the date they are due). Receivables are accounted for as assets until funds are collected, converted to other resources, or determined to be uncollectible in whole or in part.

Servicing and collection activities for some receivables may be supported by other systems that provide data to the core financial system. This is particularly appropriate for receivables resulting from programs with complex supporting data requirements, such as Superfund, loan programs, and grant programs. Servicing and collection for receivables with simpler requirements for supporting data, such as those resulting from erroneous payments, may be supported directly by the core financial system with no support by other systems.

The accounts receivable function includes recording, billing, monitoring, and collecting amounts due the government whether previously established as a receivable or not. These activities must be supported by aging schedules, exception reports, and reports used to monitor due diligence efforts.

A. Account File

1.	Does the system maintain data for each account, such as identification, address, balances, billing cycles, aging information, and account history data?	YES	NO
2.	Does the system maintain accounts for reimbursable orders and identify government and non-government accounts?	YES	NO
3.	Is each account updated when billing documents are generated and collections are received?	YES	NO
4.	Does the system maintain individual accounts receivable and access existing EPA files required to support accounts receivable processing?	YES	NO

B. Processing

1.	Does the system control and identify all collections (including credit card collections and electronic funds transfer) and update accounts receivable?	YES	NO
2.	Does the system accept transactions from external agency systems in a standard format for entry into the financial system?	YES	NO
3.	Does the system process data from various sources and produce IPAC billings for receivables from other government agencies?	YES	NO
4.	Does the system match receipts to account number and apply the receipts to the proper billing documents?	YES	NO
5.	Does the system record complete and partial receipts?	YES	NO
6.	Does the system update accounts receivable balances on a document-by-document basis?	YES	NO
7a.	Does the system calculate and assess interest, administrative charges, and penalty charges on overdue receivables?	YES	NO
7b.	Does the system allow for the waiver of these charges with appropriate authority?	YES	NO
8.	Does the system provide for automatic reversal for non-sufficient funds (NSF) checks?	YES	NO
9.	Does the system provide for automated reporting of delinquent accounts to commercial credit bureaus and collections?	YES	NO
10a.	Does the system provide for administrative offset of funds due to delinquent indebtedness?	YES	NO
10b.	Does the system for provide the generation of repayment schedules for delinquent indebtedness?	YES	NO
11a.	Does the system apply collections to inspection, handling, and processing charges before applying collections to the principal balance?	YES	NO
11b.	Does the system have the capability to charge different interest rates to different receivable accounts?	YES	NO

11c.	Does the system compute both simple and compound interest?	YES	NO
12a.	Does the system generate information for compliance with the Debt Collection Act and other applicable reporting requirements?	YES	NO
12b.	Identify the information required but not generated by the system.		
13.	Is the write-off of delinquent or uncollectible receivables recorded and data maintained to monitor closed accounts?	YES	NO

C. Bill Generation

1.	Does the system support the calculation and generation of customer bills based upon billing source and type of claim?	YES	NO
2a.	Does the system accept billing data from other systems, such as IPAC?	YES	NO
2b.	Does the system print bills using SF 1080s and/or SF 1081s?	YES	NO
3.	Can transactions related to manually prepared bills be entered directly into the systems?	YES	NO
4.	Are adjustments to the bills recorded in the system and posted to customer accounts?	YES	NO
5a.	Are the bills dated using: (1) A system generated date? (2) The date supplied by an authorized user?	YES YES	NO NO
5b.	Does the system update and print statements as well as bills?	YES	NO
6a.	Does the system produce and have the ability to customize the dunning (collection) letters for overdue receivables?	YES	NO
6b.	Does the system have the capability to generate installment payments?	YES	NO

D. Aging

1.	Does the system track and age receivables?	YES	NO
2.	Does the system identify and report selected accounts that meet predetermined criteria for bad debt provisions or write-off?	YES	NO
3.	Does the system maintain data for those accounts referred to the Department of Justice (DOJ), the Government Accountability Office (GAO), and/or collection agencies?	YES	NO

E. Reporting

1.	Does the system generate reports and information for multiple levels of EPA management and at various intervals (e.g., daily, weekly, quarterly, annually)?	YES	NO
2.	Does the system generate reports on a recurring or one-time basis to allow management to monitor the process and status of receivables?	YES	NO
3.	Does the system generate reports and information to meet external reporting (e.g., GAO, Department of Treasury, and OMB) requirements?	YES	NO
4.	Does the system maintain and record information on collections, receivables, and write-offs necessary to meet the needs of management?	YES	NO
5.	Does the system produce aging reports of all accounts receivable?	YES	NO
6.	Does the system track vouchers related to deposits and reconcile them to confirmation reports provided by Department of Treasury (including monthly deposit ticket/debit voucher support list, deposit statement of differences)?	YES	NO
7.	Does the system produce transaction listings and error listings for transactions entered directly into the system?	YES	NO
8.	Does the system produce audit trail reports to support data transferred from external systems to the financial system, including error listings?	YES	NO
9.	Does the system generate IRS 1099 forms for debts, both written-off and waived?	YES	NO

QUESTIONNAIRE C-3: PAYROLL SYSTEM FUNCTIONAL REQUIREMENTS

The operational functions of the personnel/payroll systems for the federal government can be segregated into two general categories. The first category includes those mandatory functions based on federal laws and regulations. The second category includes those optional functions based on special EPA management requirements. Mandatory functions based on law or regulations are standard across agencies and are documented in federal manuals such as:

- Federal Personnel Manual (FPM), *The Guide to Processing Personnel Actions*.
- FPM, *The Central Personnel Data File*.
- GAO Policy and Procedures Manual for Guidance of Federal Agencies.
- Treasury Financial Manual.

Optional functions are established by EPA management based on (1) the mission of EPA, (2) the size of EPA, and (3) the geographic distribution of personnel. These functions are documented in EPA's regulations and directives.

All personnel/payroll systems that are designed and implemented, or are in use, must:

- Operate in accordance with laws, regulations, and judicial decisions.
- Provide complete, accurate, and prompt payment of pay and deductions.
- Provide complete, accurate, and prompt generation and maintenance of personnel/payroll records and transactions.
- Ensure timely access to complete, correct, accurate information for internal and external use.
- Provide timely and proper interaction of the personnel/payroll system with the core financial systems.
- Have adequate internal controls to ensure that the personnel/payroll system operates effectively.

The payroll functional requirements for a personnel-payroll system are: 1) pay processing, and 2) report processing/reconciliation. In addition to the two main functions, a standard personnel-payroll system usually performs the following:

- Human resource data collection and maintenance activities
- Personnel processing
- Time and attendance processing
- Leave processing

Questionnaire C3-1: Pay Processing

The pay processing function calculates earnings, gross pay deductions, net pay, and employer contributions for each employee on an effective pay period basis. Each pay line is identified by the pay period in which it was calculated and by the pay period to which it applies (the "effective" pay period). The pay processing

function provides for the computation and disbursement of net pay, deductions, and employer contributions, and must have the capability to:

- Compute gross pay as the sum of each rate of pay *times* the number of units related to it *plus* all appropriate allowances and/or other gross pay components.
- Classify and total deductions.
- Subtract the sum of deductions from gross pay.
- Apply formulas or use tables to determine employer contributions required for certain payroll taxes and benefits.

Pay calculations must be performed at the end of each pay period after properly authorized inputs have been received. Statutory limit and reasonableness tests are performed on gross pay. Net pay is tested to ensure that deductions do not exceed gross pay. At the end of each processing cycle, detailed audit and control data are generated.

Prior-period hour adjustments, changes to an employee's entitlement (for earnings or deductions), or mass table changes require retroactive calculations. The retroactive calculation of prior-period earnings is similar to current-period processing. The time and attendance data for prior periods are obtained from adjusted hours of retroactive pay transactions rather than from the weekly time transaction. When necessary, supplemental pay actions (e.g., pay actions not processed in the normal pay cycle) must be entered into the system. These pay actions serve as the basis for the computation of gross pay, deductions, net pay, and employer contributions.

1.	Does the system initiate the pay calculation cycle only after time and attendance data have been certified and leave has been processed?	YES	NO
2.	Does the system process both current period and prior period adjustments as an integral part of the payroll cycle?	YES	NO
3.	Does the system compute pay according to the time worked and/or leave taken based on approved data?	YES	NO
4.	Does the system compute pay of various types (e.g., merit pay and cash awards)?	YES	NO
5.	Does the system compute earnings amounts for partial pay periods?	YES	NO
6.	Does the system support adjustments and regular calculations that cross fiscal years?	YES	NO
7.	Does the system calculate overtime based on the Fair Labor Standards Act (FLSA) and Title 5 of the U.S.C.?	YES	NO

8.	Does the system accommodate processing of supplemental pay actions?	YES	NO
9.	Does the system record gross pay, deductions, and net pay, and update other functions and systems as appropriate?	YES	NO
10.	Does the system calculate the gross pay to net pay based on OPM precedence for payment?	YES	NO
11.	Does the system calculate mandatory deductions?	YES	NO
12.	Does the system calculate voluntary deductions?	YES	NO
13.	Does the system calculate involuntary deductions?	YES	NO
14.	Does the system adjust taxable gross pay by deducting untaxed items (e.g., thrift saving deductions) and civil service retirement annuity offsets?	YES	NO
15.	Does the system support mass rate changes and individual entitlement changes for current and retroactive processing?	YES	NO
16.	Does the system compute deductions, employer contributions, and net pay based on manually calculated earnings amounts?	YES	NO
17.	Does the system calculate deductions that provide:		
	a. Limitations on the maximum amount of salary subject to certain deductions?	YES	NO
	b. Limitations on the maximum amount allowed for certain other deductions?	YES	NO
	c. Adjustments of taxable gross pay for certain purposes by deduction of untaxed items?	YES	NO
18.	Does the system generate payment for severance pay?	YES	NO
19.	Does the system accommodate various methods of payroll payment?	YES	NO

Questionnaire C3-2: Report Processing/Reconciliation

The payroll report processing/reconciliation function serves related purposes. The report processing aspect accesses, manipulates, and formats data to satisfy regulatory, managerial, and accounting information requirements. User outputs produced include all vouchers and reports necessary to recognize payroll expense and authorize related disbursements. External reports include those required by Department of Treasury, the Department of Labor, the Federal Retirement Thrift Investment Board, and others. Managerial reports include control reports used by personnel/payroll office staff members and others such as work location supervisors.

The purpose of the reconciliation aspect is to provide payroll system data for comparison and reconciliation with that of disbursing, accounting, and personnel systems to ensure accuracy and completeness. Disbursing data are reconciled to provide assurance that all disbursements authorized for payment by the payroll certifying officer were disbursed completely and accurately. Personnel data are reconciled to provide assurance that all employees on the payroll are bona fide and that all earnings, entitlements, and benefits are being computed as authorized in the personnel system.

1.	Does the system provide information on gross pay and deductions by type and net pay by pay period?	YES	NO
2a.	Does the system generate employee statements detailing the composition of gross pay, deductions, and net pay for the pay period and year-to-date?	YES	NO
2b.	Describe any discrepancies in the system.		
3a.	Does the system provide information (not created directly in the pay processing function) to other functions to generate internal and external payroll reports?	YES	NO
3b.	List functions for which information is not provided by the system.		
4a.	Does the system provide information to IFMS?	YES	NO
4b.	Does this information update fund balances with Department of Treasury and other asset, expense, and liability accounts, appropriations, and other cost centers for payroll, including employer contributions?	YES	NO

5.	Does the system produce the following payroll reports:		
a.	SF 1150, Record of Leave Data?	YES	NO
b.	SF 2806, Individual Retirement Record?	YES	NO
c.	SF 113A, Monthly Employee Report?	YES	NO
d.	SF 113G, Monthly Full-Time Equivalent (FTE) Report?	YES	NO

6.	Does the system produce reports required by:		
a.	Department of Treasury?	YES	NO
b.	Internal Revenue Service?	YES	NO
c.	Social Security Administration?	YES	NO
d.	Department of Labor?	YES	NO
e.	Office of Personnel Management?	YES	NO
f.	Office of Management and Budget?	YES	NO

7.	Does the system provide for tax deduction reporting, reconciling, and correcting processes for federal, state, and local government?	YES	NO
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8.	Does the system provide summary totals of earnings, deductions, contributions, and paid hours for analysis and reporting?	YES	NO
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9.	Does the system generate reports of pay and benefit transactions required by IFMS?	YES	NO
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10.	Does the system generate detail registers supporting all vouchers, accounting entries, and disbursements made by the payroll office?	YES	NO
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11.	Does the system produce transaction listings and error listings for validation purposes?	YES	NO
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QUESTIONNAIRE C-4: TRAVEL SYSTEM FUNCTIONAL REQUIREMENTS

The travel system must have the capability to track the status of a travel order and a travel voucher as they go through the various stages of preparation and approval. The system must incorporate the preparation and approval of travel and transportation authorizing documents, including funds certification; preparation and authorization of travel advances; and computation, preparation, and approval of travel vouchers. Additionally, the system should provide for interfacing with the travel office for arranging tickets and transportation and processing of claims from vendors related to the travel and transportation documents.

As travel transactions take place, they must be recorded in chronological and systematic order. To be processed, all documents must be placed under document control, tracked, and approved for payment. The system must document travel information so it is easily and readily available for analysis, decision support, operational control management, and external, regulatory reports. The travel system should also provide the traveler or support clerical staff with the capability to produce travel information and control the processing of travel and financial data. The requirements for a travel system must be evaluated on the basis of how the system performs its control function within a mixture of centralized and distributed functions. Below are the seven travel system functional areas for which questionnaires were developed:

- √ C4-1 Travel Authorization
- √ C4-2 Travel Advances
- √ C4-3 Travel Vouchers
- √ C4-4 Local Travel
- √ C4-5 Sponsored Travel
- √ C4-6 Interface Requirements
- √ C4-7 Reports

Questionnaire C4-1: Travel Authorization

All official travel for the federal government must be specifically authorized. The travel authorization is the foundation upon which all other travel documents are processed. No travel advance or voucher payment can be made until the corresponding authorization has been established. The travel authorization function should provide the capability to create travel orders and provide funds certification for domestic, in-cash or in-kind, or unlimited and limited travel authorization.

1a.	Does the system provide verification that travel authorization exists?	YES	NO
1b.	Does the system provide verification that travel ceilings have not been exceeded?	YES	NO
2.	Does the system calculate authorized per diem and meals and incidental expenses (M&IE) based on the itinerary and actual travel performed?	YES	NO
3a.	Does the system have the ability to cite multiple funding sources for each trip planned and authorized?	YES	NO
3b.	If this capability does not exist, how are multiple funding sources cited?		

4.	Does the system have the capability to process travel orders with:		
a.	Split fiscal year funding?	YES	NO
b.	Multiple funding and object classification codes?	YES	NO
5.	Does the system have the capability to identify valid travelers?	YES	NO
6a.	Does the system allow corrections, amendments, and cancellation of travel orders?	YES	NO
6b.	Are reports concerning amendments generated to the traveler, approving official, and accounting office?	YES	NO
7.	Does the system retain personal information, such as social security number, staff identification, payment address, permanent duty station, organization, position title, and office phone for travelers for future use?	YES	NO
8.	Does the system provide for recording travel authorizations for official travel which is performed at no expense to the government?	YES	NO

Questionnaire C4-2: Travel Advances

The travel advance function must provide for entry, processing, approval, payment, and liquidation of government funds to defray travel expenses of employees or non-employees. This function should provide for the tracking, aging, and controlling of advances.

1.	Does the system have the capability to set, change, and apply established limits on travel advances in any selected mode of payment?	YES	NO
2a.	Does the system provide for aging outstanding travel advances based on the end of trip date?	YES	NO
2b.	Are follow-up letters and memoranda generated concerning delinquent advances affecting payroll offsets or other means of collection?	YES	NO
3.	Does the system provide authorized and approved travel advance transactions for direct deposit?	YES	NO
4.	Does the system provide the capability to (a) reflect cash disbursements against the appropriate authorizing and payment documents to preclude duplicate payments, and (b) update the travel advances aging and collection process?	YES	NO

5a.	Does the system establish a receivable for overdue travel advances and ensure that these receivables are collected through normal EPA collection procedures?	YES	NO
5b.	Does the system report travel advances such as employee income on the employee W-2 forms?	YES	NO
6.	Does the system provide for limiting the allowed advance based upon possession of a charge card?	YES	NO

Questionnaire C4-3: Travel Vouchers

Once a travel assignment has been completed, the government traveler files a travel voucher for reimbursement for travel expenses. All claims must be in accordance with travel policies. The system should provide for input by both travelers and support clerical staff at central and remote locations. This system should provide for automated point-of-entry input and be easy to use with adequate direction and prompts to lead the user through the program and collect the necessary information to prepare the voucher. Information reflected on the travel authorization and advance should be transferred to the travel voucher preparation process. The user then enters information regarding actual times, lodging costs, and other actual travel expenses, parking fees, and local transportation costs.

1.	Does the system provide messages to the user regarding supporting documentation requirements (e.g., receipts, unused tickets, refunds, and certificates)?	YES	NO
2.	Does the system process partial claims against travel orders to expedite liquidation of an outstanding advance?	YES	NO
3.	Does the system allow entering subsistence rates, mileage allowance, and other data when they are not available from IFMS tables?	YES	NO
4a.	Does the system have a database of per diem, mileage allowances, and other information that will provide data to the authorization and voucher preparation processes?	YES	NO
4b.	Does the system calculate authorized amounts based on itinerary and other related information?	YES	NO
5a.	Does the system provide the capability to calculate entitlements after entry of required information?	YES	NO
5b.	Does the system have override capability to handle special travel that falls outside the standard parameters?	YES	NO

6.	Does the system provide for certification statements and other standard clauses required on the travel vouchers?	YES	NO
7.	Does the system provide the capability to cite multiple funding sources?	YES	NO
8.	Does the system provide for partial vouchering and amended vouchers?	YES	NO
9.	Does the system provide the capability to create and modify the travel vouchers before final approval?	YES	NO
10.	Does the system provide for a tracking system to determine the status of a voucher for claim?	YES	NO
11.	Does the system generate notices to the traveler when the required information is not available?	YES	NO
12.	Does the system allow special routing and approval levels for certain classes of travel?	YES	NO
13a.	Is there a capability to match travel vouchers with travel authorizations?	YES	NO
13b.	Does the system provide for the audit of a claim in accordance with Federal Travel Regulations?	YES	NO
14a.	Does the system integrate the issuance and control of travel advances with the travel voucher payment process?	YES	NO
14b.	Identify any discrepancies between the travel advance and travel voucher payment processes.		

Questionnaire C4-4: Local Travel

The travel system should provide the capability for users to produce a local travel voucher by entering selected data into the system to obligate and pay local travel. In addition to travel expenses incurred while on official business within the employee's designated post of duty, the local travel voucher is also used to reimburse employees who have expended funds in the transaction of official business while in non-travel status at or near the designated post of duty (official duty station).

1.	Does the system produce local travel vouchers?	YES	NO
2.	Does the system provide for funds certification?	YES	NO
3.	Does the system allow the user to assign the appropriate accounting classification data?	YES	NO
4.	Does the system provide for recording obligations and disbursements for registration fees for attendance at non-government sponsored meetings?	YES	NO
5a.	Does the system provide for recording the type of disbursement and appropriate schedule number?	YES	NO
5b.	Does the system update appropriate subsidiary ledgers and the SGL?	YES	NO

Questionnaire C4-5: Sponsored Travel

The travel system must track the approval process for the acceptance of payment in-cash or in-kind for acceptance of services from non-federal sources to defray in whole or in part the travel or related expenses of civilian employees.

1.	Does the system assure that sponsored travel is administratively approved prior to final approval of the travel order?	YES	NO
2.	Does the system provide notification to the accounting office of required information to establish accounts receivable for deposit or collection?	YES	NO
3.	Does the system provide the capability to indicate the amounts and entitlements to be paid by the government and those to be paid by the sponsoring organization?	YES	NO
4.	Does the system provide the capability to record from the voucher the certified amounts of cash to be deposited to the appropriation or the income to the employee in the form of services in-kind?	YES	NO
5.	Does the system provide the capability to generate:		
a.	The appropriate obligation records to reflect the cost of the trip to be funded by the government?	YES	NO
b.	Transactions to record the receipt of income from non-federal sources?	YES	NO

Questionnaire C4-6: Interface Requirements

The travel system must provide travel activity transactions to the core financial system by:

- Generating obligation records, including deobligations (cancellations) and adjustments (amendments).
- Updating funds control.
- Updating the SGL.
- Generating disbursement actions by electronic funds transfer or other payment processes with corresponding accounting transactions. To the extent possible and consistent with current GAO, General Services Administration, and Department of Treasury requirements, the system should provide for electronic transfer of funds.
- Recording travel advance issuance and liquidation actions against corresponding obligation and expenditure records.

The travel system must interface with the accounts payable function to provide automated scheduling of travel and transportation voucher payments. The system should also provide for recording sufficient airline ticket information essential to the airline ticket payment process to allow the accounting office to (1) review the information, (2) verify the amount cited on the airline bill, (3) determine whether a refund is due, or (4) reconcile other ticketing differences to ensure that correct payment is made.

1.	Does the system generate obligation records, including deobligations (cancellations) and adjustments (amendments)?	YES	NO
2.	Does the system update funds control?	YES	NO
3.	Does the system update the SGL?	YES	NO
4.	Does the system generate disbursement actions by electronic funds transfer and post the corresponding accounting transactions to the SGL?	YES	NO
5.	Does the system record travel advance issuance and liquidation actions against corresponding obligation and expenditure records?	YES	NO
6.	Does the system provide an interface with the accounts payable function to generate an automated scheduling of travel voucher payments?	YES	NO

Questionnaire C4-7: Reports

The travel system should provide the capability to generate the required standard reports for control purposes. It should provide for the generation of prospective and retrospective managerial reports to be utilized for budgeting purposes, trip planning, and travel management, as well as provide reports for accounting and payment history purposes, adapted to meet Agency needs.

1.	Does the system provide for the retrieval of balances and costs by traveler name and social security number, including fund source(s), organization, and purpose of travel?	YES	NO
2.	Does the system provide reports for follow-up on travel advances with balances outstanding?	YES	NO
3.	Does the system provide for:		
a.	Automatic aging of travel advances?	YES	NO
b.	Regular reporting on the status of travel advances?	YES	NO
c.	Reports accomplishing collections?	YES	NO
4.	Does the system have the capability to perform online queries and to generate standard and ad hoc reports?	YES	NO
5.	Does the system provide for an outstanding travel voucher report?	YES	NO
6.	Does the system provide for:		
a.	Automatic aging of travel advances?	YES	NO
b.	Regular reporting on the status of travel advances?	YES	NO
7.	Does the system provide reports required by the General Services Administration for oversight?	YES	NO
8.	Does the system generate W-2 forms for advances outstanding more than 120 days?	YES	NO

QUESTIONNAIRE C-5: GRANTS SYSTEM FUNCTIONAL REQUIREMENTS

The grants system should achieve four basic objectives: (1) record all the elements within each grant action, (2) monitor the status of each grant action, (3) determine funds availability, and (4) report cash disbursements. Grants tracking should facilitate monitoring of grants throughout their life cycle—from the receipt of the grant application, through the issuance of the award and release of funds to pay for approved grant activities, to the closeout of the grant award.

1.	Does the system record the elements within each grant action (e.g., receipt of grant application, release of funds, and closeout of funds)?	YES	NO
2.	Does the system monitor the status of each grant action?	YES	NO
3.	Does the system delineate the federal and grantee's share of program costs in each grant action?	YES	NO
4.	Does the system establish records for each grant action to identify:		
	a. Funds availability by program?	YES	NO
	b. Whether federal funds are requested in lieu of the grantee share?	YES	NO
	c. Whether the grantee has an excess cash balance from prior payments?	YES	NO
	d. Interest accrued and receivable on excess cash balances?	YES	NO
5.	Does the system provide for determining funds availability prior to making an award?	YES	NO
6.	Does the system provide for:		
	a. Recording and reporting cash disbursements for advances and reimbursements?	YES YES	NO NO
	b. Comparing disbursements with the amounts obligated?		
7.	Does the system maintain records of property acquired by the grantee for which title rests with the federal government?	YES	NO
8.	Does the system have capability to provide cash projections identifying the times, amounts, and purposes for which cash will be needed?	YES	NO
9.	Does the system contain the necessary controls to ensure that cash disbursements are in compliance with pertinent requirements (e.g., the Cash Management Improvement Act (CMIA) of 1990)?	YES	NO
10.	Does the system have the capability to record amounts due the federal government as a receivable?	YES	NO

11.	Does the system have the capability to:		
a.	Record amounts due the grantee as a payable (in cases where the costs have already been incurred by the grantee)?	YES	NO
b.	Reduce liabilities upon reimbursement?	YES	NO

12.	Does the system provide for appropriate recording of refunds (as a refund of the advance to the fund account initially charged and interest income to the General Fund account)?	YES	NO
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QUESTIONNAIRE C-6: FIXED ASSETS SYSTEM FUNCTIONAL REQUIREMENTS

The fixed assets system should be primarily concerned with the financial accountability of EPA's assets. Transactions with the fixed assets system will have an effect on both the fixed assets records and the financial records of the SGL. For instance, the system should compute gain or loss on the sale/disposition of assets and post the appropriate entries to the SGL and fixed assets records.

The recording of property items to the fixed assets records does not depend on the recording of the item to the SGL and vice versa. To ease the data entry burden, the fixed asset system allows users to define standard information in a table and associate the information with a code. This code can then be used in the system to automatically provide the information in the proper fields.

The system should have the capability to calculate depreciation on assets using one of four automatic methods: straight-line, sum-of-the-year's digits, declining balance, or double declining balance. The depreciation routine is usually run in an off-line program, which computes depreciation on each depreciable asset type and adjusts the fixed asset records. The program is run at the request of the user, with the user supplying the date up to which depreciation is to be applied. The depreciation program also generates a standard voucher document and places it in the document suspense file.

1.	Does the system provide the capability to record the property acquired by:		
a.	Purchase?	YES	NO
b.	Transfer from other agencies?	YES	NO
c.	Donation?	YES	NO
d.	Installment contracts?	YES	NO
e.	Lease purchase?	YES	NO
f.	Foreclosure?	YES	NO

2.	Does the system capture, at a minimum, the following information:		
	a. Descriptive information (identification number)?	YES	NO
	b. Quantity?	YES	NO
	c. Location?	YES	NO
	d. Accounting code structure?	YES	NO
	e. All acquisition costs (purchase price, shipping, installation costs)?	YES	NO
3.	Does the system provide for writing-off (disposal) of property valued at \$25,000 or less?	YES	NO
4.	Does the system provide the capability to record additions to already capitalized property that extends the useful life of the property or its service capacity?	YES	NO
5.	Does the system account for repair and maintenance expenses as operating expenses?	YES	NO
6.	Does the system maintain historical data of every property acquired and capitalized?	YES	NO
7.	Does the system provide the capability to remove the property from the property account (as a result of zero or negligible book value)?	YES	NO
8.	Does the system provide the capability to specify a depreciation/amortization schedule for capitalized properties?	YES	NO
9a.	Does the system recognize gains or losses when depreciated properties are disposed of outside of the federal government?	YES	NO
9b.	Does the system recognize the gain or loss in the accounts as a financing source or an expense, as applicable, and as a charge to the Cumulative Results of Operations account?	YES	NO
10a.	Does the system provide the capability to maintain control records for property held in custody by the federal government?	YES	NO
10b.	Do the control records reflect the federal government's custodial responsibilities and liabilities, if any, to the transferor?	YES	NO
10c.	Do the system records reflect the capitalization of property when title is vested in the federal government or the government obtains unrestricted use of the property?	YES	NO
11.	Does the system provide for an interfacing capability with the core financial system?	YES	NO

12.	Does the system classify different classes of property in conformance with the SGL requirements?	YES	NO
13.	Does the system produce internal reports for management to conduct physical verification of federal government-owned properties?	YES	NO
14.	Does the system provide the required information (such as capitalized property, depreciation, disposals) for preparation of the annual financial statements?	YES	NO

TEST PLAN D. SUPERFUND COST RECOVERY REVIEW

INTRODUCTION

As a trust fund, the Superfund program is subject to greater and stricter oversight than most other federal government programs. Because Superfund operates toward the twin financial cornerstone objectives of cost-recovery and cost-share, the program is exposed to additional risk. Unique risks associated with the Superfund program have prompted EPA to develop detailed Superfund financial management requirements and guidelines, which distinguish Superfund financial management from other EPA programs.

Superfund transactions risk higher levels of public and political scrutiny, thus requiring stricter application of EPA's established bona fide need criteria for Superfund financial payments. Some increased risks associated with Superfund transactions are listed below:

1. Potential incentive to weaken the integrity of Superfund accounting and documentation systems in order to prevent cost-recovery actions.
2. Potential for underestimating EPA's share of the total cost of a removal or remedial action.
3. Potential for Superfund financial systems to improperly record the EPA costs and level of effort because of the actions or omissions of an external responsible party.
4. Potential for accounts receivable reporting and tracking that are not coordinated with the Office of Regional Counsel and Enforcement management offices.
5. Potential for non-compliance with formal statute.
6. Potential for Superfund carrying too much of the financial burden in a cost-share agreement.

Financial management differences in the Superfund program include additional labor reporting and enhanced cost documentation requirements. As a result, the focus and range of the Superfund quality assurance program may differ or be expanded when compared to other EPA financial management programs. Certain basic review techniques, however, hold true. For example, an analysis of the general control environment is still relevant and necessary. Also, testing requirements for the various accounting event cycles can be applied to samples that include Superfund accounting transactions and non-Superfund transactions.

SUPERFUND OVERVIEW

The statutory and regulatory basis of cost recovery and the application of cost recovery to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) program goals are discussed briefly below. Additionally, a synopsis of the preparation of cost recovery packages is included. As part of the cost recovery package synopsis, the various resources used in preparing the cost recovery packages include computer systems, financial reports, and financial management resources.

The trust fund established under CERCLA, commonly referred to as the Superfund Trust Fund, was established in 1980 to provide resources needed to respond to actual or threatened releases of hazardous substances, pollutants, or contaminants that may endanger human health or the environment. The Superfund Trust Fund is financed by (1) taxes on crude oil and certain chemicals, (2) corporate environment taxes, (3) general revenues, (4) cost recoveries, (5) fines and penalties, and (6) interest from investments.

To substantially improve the Superfund program prior to re-authorization, EPA established the Superfund Administrative Improvements Task Force. The task force's goals were to increase enforcement fairness and reduce transaction costs; improve cleanup effectiveness and consistency; expand meaningful public involvement; and enhance states' roles in the Superfund program.

Cost Recovery Packages

The fundamental goal of the Superfund program is to protect human health and the environment by reducing risk associated with the release or threat of release of a hazardous substance. Although CERCLA established the Superfund Trust Fund to finance these efforts, CERCLA also anticipates that potentially responsible parties (PRPs) will finance or cleanup many of the sites through either a settlement or a court order. If no settlement is reached, EPA may use the Superfund Trust Fund to finance the cleanup of a site and later recover the costs from viable and liable PRPs. Cost recovery actions, therefore, are essential to replenish the trust fund. Further, successful cost recovery actions deter other PRPs from attempting to avoid responsibility.

Based upon the Superfund Activity Code, the accounting process EPA uses to identify Superfund related activities with accounting transactions, four major components of the Superfund program are: (1) remedial activities, (2) removal activities, (3) enforcement activities, and (4) other activities.

These components are integrated and coordinated to ensure that Superfund monies are used in a cost-effective manner. Each of these components is summarized below.

- **Remedial activities** represent the long-term response at a Superfund site and include the Preliminary Analysis/Site Investigation (PA/SI), Remedial Investigation/Feasibility Study (RI/FS), Remedial Design (RD), and Remedial Action (RA).
- **Removal activities** represent the short-term response and stabilization of hazardous substances and include removal actions and removal support and management.
- **Enforcement activities** represent the actions EPA takes to recover Superfund expenditures, settlement negotiations with responsible parties, and associated oversight.
- **Other activities** represent EPA activities in supporting the Superfund program as a whole and include research and development, contract award and management, financial management, human resource activities, rent and utility costs, and finance center oversight. These costs are associated with and cross the remedial, removal, and enforcement program lines.

Under the Superfund enforcement program, the federal government, with the Department of Justice (DOJ) acting as EPA's attorney, may bring suit against PRPs to recover the costs of cleanup. A cost recovery case has two priorities: (1) establishing the liability of the PRP, and (2) providing proof of government expenditures. Cost recovery packages are needed most often as activities at a site move from one phase of

a response to another phase. Generally, EPA takes action to recover from liable PRPs the costs of an earlier phase of a Superfund response before EPA begins the next phase.

EPA generally conducts the following activities in compiling the cost recovery package:

- *Identifies* the target sites ready for cost recovery and request cost information.
- *Generates* the cost summary reports using the Superfund Cost Recovery Package and Online System (SCORPIOS) and the ad hoc financial reporting procedures.
- *Uses* the SCORPIOS cost summary report and the ad hoc financial reports to identify the supporting documentation to be retrieved.
- *Retrieves* from SCORPIOS and other sources the documentation that supports the relevant costs and work performed and assembles the documentation in a specific order.
- *Reconciles* the supporting documentation to the SCORPIOS cost summary report and ad hoc financial reports.
- *Edits* supporting documents to protect information covered under the Privacy Act.
- *Addresses* Confidential Business Information (CBI) protected by confidentiality agreements or protective orders.
- *Makes* necessary changes in the cost data and provides a final SCORPIOS cost summary report.
- *Transmits* the cost recovery package to the Office of Regional Counsel (ORC) or DOJ, if necessary.

The next subsections provide a high-level description of the various resources used in preparing a cost recovery package. Those resources include computer systems, financial reports, and financial management organizations.

COMPUTER SYSTEMS AND FINANCIAL REPORTS

The CERCLA computer system supports EPA headquarters and regions for the management and oversight of the Superfund program. It has two purposes: (1) maintain an automated inventory of abandoned, inactive, or uncontrolled hazardous waste sites, and (2) act as a vehicle for regions to report to Headquarters the status of major stages of site cleanup. The CERCLA computer system provides a decentralized national system in which each region controls and enters its respective data on regional subsystems. The Office of Solid Waste and Emergency Response (OSWER) is responsible for Comprehensive Environmental Response, Compensation, and Liability Act Information System (CERLIS) operations.

The SCORPIOS financial management system was developed to process Superfund-unique documents and to store related data. SCORPIOS is used to generate reports that summarize data on costs for a specific site. To initiate preparation of SCORPIOS cost summary reports, a user requests a report on a particular site. SCORPIOS cost summary reports can be reconciled against the actual cost documents and the ad hoc financial reports. SCORPIOS is a database management program that:

- *Maintains* detailed cost data for Superfund sites.
- *Organizes* the cost information or financial data into categories.

- *Produces* reports that itemize the costs by site (summary and detail).
- *Calculates* indirect costs and interest.
- *Scans* original financial documents (e.g., payroll distribution timesheets, travel vouchers, interagency agreements (IAGs), and contract invoices).
- *Stores* the documents as computer images.
- *Reproduces* copies of the original documents upon request.

Ad hoc financial reports are generated from Financial Data Warehouse (FDW), and OCFO Reporting and Business Intelligence Tool (ORBIT). FDW and ORBIT allow for significantly expanded ad hoc reports including financial, administrative, and program data.

FINANCIAL MANAGEMENT ORGANIZATIONS

Cincinnati Finance Center (CFC) manages payments under disbursement IAGs for Superfund and other EPA programs. Approximately 80 percent of Superfund disbursement IAGs are held with the U.S. Army Corps of Engineers. The remaining 20 percent are held with other government entities, including DOJ, the Department of Interior (DOI), the Tennessee Valley Authority (TVA), and the U.S. Coast Guard (USCG).

Las Vegas Finance Center is responsible for providing documentation for proof of expenditures of the National Enforcement Investigation Center (NEIC) under Superfund grants and cooperative agreements. LV-FC ensures that file copies of the original documents are maintained and that a copy of the site-specific file is sent to the regions on a monthly basis as costs are incurred.

RTP-FC, Contract Payment Section is responsible for recording, processing, and certifying all EPA Superfund and non-Superfund contract obligations and payments. RTP-FC provides the following major services to support Superfund activity:

- *Distributes* Superfund costs to designated Superfund sites as approved by EPA project officers or contracting officers.
- *Resolves* problems with financial transactions supporting Superfund site-specific cost distribution.
- *Provides* Superfund site-specific cost recovery documentation requested by EPA regional offices and DOJ.

TESTING PROCEDURES

Overview

The elements of a cost recovery case are established by showing that the work was authorized, performed, invoiced, and paid. A cost recovery package consists of the documentation and explanation of costs associated with nine basic areas: (1) EPA payroll, (2) indirect costs, (3) EPA travel, (4) contract laboratory programs, (5) disbursement interagency agreements, (6) allocation transfer interagency agreements, (7) miscellaneous costs, (8) contracts, and (9) cooperative agreements. The documentation for each cost area can be prepared separately and subsequently consolidated and submitted as a complete package.

Costs incurred before October 1991 for contract expenditures should be in the region's historical files. If costs were incurred after October 1991, or if the region has scanned its historical records, the appropriate documents can be retrieved from SCORPIOS. Information on retrieving documents from SCORPIOS and information on generating a bar code report can be found in the *SCORPIOS Manual*.

If documents are not in SCORPIOS, they can be retrieved from employee files in the regional or Headquarters finance center (FC) or from the FC that paid the voucher. It may be necessary to submit a cost documentation request form to obtain documents from a regional or headquarters office. Consultation with appropriate parties, combined with review of ad hoc financial reports and SCORPIOS reports (e.g., cost summary reports, audit trail reports, and omit reports) can help identify missing documents and understand the cost recovery documentation and preparation process.

Reconciling data involves checking data that have been reported through SCORPIOS and the ad hoc financial reporting procedures against the source information (either hard copies or electronic data). When discrepancies are noted, the SCORPIOS data or the accounting system data sometimes may be adjusted to conform to data in the original documents, depending on the reason for the discrepancy. In some cases, adjustment of the accounts in IFMS also may be required.

If the supporting documents clearly indicate that the wrong account number was charged in IFMS (e.g., transposition of the characters in the site ID), the information in the IFMS is adjusted. If errors are found in the original documents, a corrected copy can be obtained. All discrepancies between the original contract document and the information in the Agency's accounting system can be sent to the RTP-FC for research and resolution.

Sample Selection

Depending on staff resources and available time for review, a judgmental sample of cost recovery packages should be selected. The packages selected for review should be current (e.g., prepared within the last 12 months). Some of the packages selected should be *updates* of existing cost recovery packages, while other packages selected should be *completed* packages.

Different size packages (e.g., small, medium, and large) should also be represented in the sample. In general, the larger the dollar value, the more complex the package. If available, a list of current cost recovery packages containing the site name, site ID, and amounts may facilitate the sample selection.

For each of the nine cost areas detailed below, a random sample of relevant supporting documentation for each cost area should be selected. In the payroll area, for example, there should be a random sample and review of employee names that show hours charged to the Superfund site.

Although there are interdependencies between and among the nine cost areas, the documentation for each cost category can be prepared separately and subsequently consolidated. The majority of the questions may be reviewed as a separate unit if there are time constraints.

Question Format

The review questions have supporting documentation with language that is specific to a particular form. For example, the first question in the payroll area asks:

“Are the following items the same on the PeoplePlus payroll reports or paper timesheets, SCORPIOS report, and an ad hoc financial report?” For some of the items (a-h), there is only one element. For example, for item (a), “employee name” is the only element. The employee name appearing on the PeoplePlus payroll report or paper timesheet, the SCORPIOS report, and an ad hoc financial report would be compared for consistency.

For other items such as item (f), there are three elements listed: (1) “fourth, fifth, and sixth characters of the account number,” (2) “office code,” and (3) “fifth, sixth, and seventh characters of the account number.” In this case, the fourth, fifth, and sixth characters of the account number on EPA Form 2560-28 would be compared to the office code on the SCORPIOS report and then compared to the fifth, sixth, and seventh characters of the account number on an ad hoc financial report.

1. PAYROLL

Overview

Payroll consists of personnel compensation and benefits of EPA staff that perform duties in connection with individual Superfund sites. PeoplePlus is used for the documentation of payroll costs. Timesheets, once used to distribute hours, were replaced with the PeoplePlus system on October 1, 2004.

EPA employees who perform site-specific Superfund activities record their time electronically. EPA employees are assigned a fixed account number (FAN) to which their payroll expenses are charged. When costs can be determined to have been of benefit solely to Superfund, the Superfund appropriation should be charged directly through the EPA’s account number structure. Employees performing site-specific Superfund activities must record their time in the PeoplePlus payroll system, using a site-specific account number that contains the appropriate site and activity code to show hours chargeable to that site. Since many of the reviews cover periods prior to the use of electronic documentation, the questions are structured to cover both paper and electronic documentation. Some of the questions below apply to paper documentation (coded P), some apply to electronic documentation (coded E) and some apply to both (no code).

1.	Are the following items the same on the PeoplePlus payroll reports or timesheets and SCORPIOS report.		
a.	Employee name?	YES	NO
b.	Employee signature? (P)	YES	NO
c.	SSID?	YES	NO
d.	Fiscal year?	YES	NO
e.	Pay period?	YES	NO
f.	Organizational code?	YES	NO
g.	Payroll hours?	YES	NO
h.	Activity/Action code?	YES	NO
2.	Are appropriate signatures for a supervisor, an employee, and a timekeeper on the timesheet? (P)	YES	NO

3.	Is the SSID valid?	YES	NO
4.	Is the name of the site listed on the PeoplePlus payroll report or timesheet the same as the name listed on the SCORPIOS report?	YES	NO
5.	For each employee, does the PeoplePlus payroll report or timesheet ensure the following:		
a.	Are all changes initiated by the employee? (P)	YES	NO
b.	Does each line total?	YES	NO
c.	Do hours charged for each day total? (P)	YES	NO
d.	Have account numbers been listed for all hours charged?	YES	NO
e.	Are regular hours separated from overtime, hazardous duty, and night differential hours?	YES	NO
f.	Does the pay period number correspond to the date?	YES	NO
g.	Is the accounting string data valid?	YES	NO

2. INDIRECT COSTS

Overview

Indirect costs are administrative costs (overhead) required to support the Superfund program in general and response actions at sites which cannot be directly accounted for by an individual site. The indirect cost pool consists of all costs classified as non-programmatic for all appropriations that fund administrative, management, and support functions. Superfund non-site-specific costs are part of this pool. This includes the non-programmatic or non-site portion of personnel compensation and benefits, facilities, travel, rent, communications, utilities, contractual services, materials, and supplies costs. Depreciation and inter-entity costs are also included. The major organizational units contributing costs to the indirect costs pool are:

1. EPA Headquarters. Organizations providing services on an Agency-wide or national basis include: Office of the Administrator (OA), Office of Administration and Resources Management (OARM), Office of the Chief Financial Officer (OCFO), Office of Environmental Information (OEI), Office of the Inspector General (OIG), and Office of General Counsel (OGC). Management and support costs associated with carrying out the Superfund program at headquarters include program management and support costs incurred by the Office of Solid Waste and Emergency Response (OSWER) and Office of Enforcement and Compliance Assurance (OECA).

2. Regions. Organizations similar in function to those of Headquarters include: the Regional Administrator's office and offices providing general regional support services such as personnel, finance, policy, and information management. Management and support costs associated with carrying out the Superfund program in the regions include Superfund program management costs incurred by regional program divisions.

The Superfund final indirect cost pool is allocated using Superfund site charges including: Headquarters and regional site charges, ZZ charges, site charges made under the IAGs, and site allocable portions of the Superfund response contracts (Annual Allocation).

Indirect costs are determined on a site-specific basis by multiplying the total direct site charges by an indirect rate expressed as a percentage of total costs after October 1, 1990. Prior to October 1, 1990, the old indirect rate methodology using overhead rates expressed as a rate per hour are applicable. The indirect rates are developed by the Program Costing Staff (PCS), and the rates are specific to the region and the year in which the costs were incurred by EPA. A SCORPIOS report is used to calculate such costs. Indirect cost rates are available in SCORPIOS, and the automatic calculation is based on the direct costs reported for the site on the SCORPIOS cost summary report.

1. Is the indirect cost rate included in the Superfund Actual Indirect Cost Rates Memo effective as of the date when the SCORPIOS report was run?		
a. Indirect cost rate listed on the SCORPIOS summary report?	YES	NO
b. Indirect cost rate listed on the SCORPIOS detail report?	YES	NO

3. TRAVEL

Overview

Documentation of travel costs includes electronic or paper travel authorization, travel voucher, common carrier receipts, and proof of payment. Travel authorizations show the purpose of the travel and that the travel was approved, as well as dates of travel, employee's name, and the SSID.

Travel vouchers may be located in the Travel Manager (TM) System or SCORPIOS.

Since many of the reviews cover periods prior to the use of electronic documentation, the questions are structured to cover both paper and electronic documentation. Some of the questions below apply to paper documentation (coded P), some apply to electronic documentation (coded E) and some apply to both (no code).

I. TDY Costs

A. Travel Voucher

1. Is the name of the traveler the same on the travel voucher or TM report and on the SCORPIOS report?	YES	NO
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<p>2. Are the last six characters of the travel authorization number listed on the travel voucher the same on the following?</p> <p>a. Last six characters of the travel voucher number listed on the SCORPIOS report?</p> <p>b. Last six characters of the obligating document number listed on an ad hoc financial report?</p>	<p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p>
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<p>3. If the purpose of the travel benefits only one site, is the net amount listed on the travel voucher the same as the total travel cost listed on the SCORPIOS report and the total travel cost listed on an ad hoc financial report?</p>	<p>YES</p>	<p>NO</p>
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<p>4. Did the claimant and the claimant's supervisor/authorized individual approve the travel voucher?</p>	<p>YES</p>	<p>NO</p>
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B. Schedule of Expenses and Amounts Claimed

<p>1. Does the travel voucher provide detailed information on the expenses and amounts claimed?</p>	<p>YES</p>	<p>NO</p>
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C. Receipts

<p>1. If an itemized cost is more than \$75.00, are clear and legible receipts available?</p>	<p>YES</p>	<p>NO</p>
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D. Payroll Distribution Timesheet (EPA Form 2560-28)

<p>1. Is the name of traveler on the payroll distribution timesheet or PeoplePlus Time report the same as the name of the traveler listed on the travel voucher?</p>	<p>YES</p>	<p>NO</p>
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<p>2. Is the SSID listed on the payroll distribution timesheet the same as the following?</p> <p>a. SSID listed on the SCORPIOS report?</p> <p>b. SSID on an ad hoc financial report?</p>	<p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p>
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<p>3. Are the hours charged to the site (the traveler's payroll distribution timesheet/People Plus Time report and the days cited on the travel voucher for work conducted by the traveler) related to the site?</p>	<p>YES</p>	<p>NO</p>
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<p>4. If the purpose of the travel benefits more than one site, was the percentage of time spent on each site calculated to properly distribute the travel costs?</p>	<p>YES</p>	<p>NO</p>
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E. Travel Authorization

1.	Are the following items the same on the travel authorization and on the travel voucher?		
a.	Name of the traveler? (P)	YES	NO
b.	Last six characters of the SSID on the travel authorization number?	YES	NO
2.	Did an authorizing officer approve the travel authorization?	YES	NO

F. Multiple Account Allocation Form

1.	If the travel authorization indicates that the purpose of the travel benefits more than one EPA program or more than one site, the estimated cost of travel is distributed according to the amount of time expected to be spent on each activity or at each site. A multiple account allocation form is filed concurrently with the travel authorization. Are the following items the same on the multiple account allocation form and on the travel authorization?		
a.	Name of the traveler? (P)	YES	NO
b.	Last six characters of the travel authorization number? (P)	YES	NO
c.	Total amount/total authorized allowance? (P)	YES	NO
2.	Is the SSID listed on the multiple account allocation form the same on the following:		
a.	SSID listed on the SCORPIOS report? (P)	YES	NO
b.	SSID listed on an ad hoc financial report? (P)	YES	NO
3.	Did an authorizing officer approve the travel authorization?	YES	NO

G. Electronic Funds Transfer (EFT) Detail Inquiry Table

1.	Where applicable, the EFT detail inquiry table may be used for proof of electronic payment. Are the following items the same on the EFT inquiry table and the travel voucher?		
a.	Payment voucher number?	YES	NO
b.	Payment amount/net amount?	YES	NO
2.	Where applicable, are the last six characters of the schedule number listed on the Treasury schedule the same as the Treasury schedule number listed on the SCORPIOS report?	YES	NO

H. Voucher Header Table

1. Where applicable, the voucher header table may be used as proof of payment. Are the following items the same on the voucher header and on the travel voucher? a. Payee name/name of the traveler? b. Amount/net amount?	YES YES	NO NO
2. Where applicable, are the following items the same on the voucher header table and on the SCORPIOS report? a. Last six characters of the schedule number/Treasury schedule number? b. Check date/Treasury schedule date?	YES YES	NO NO

II. Costs for Local Travel*A. Claim for Reimbursement for Expenditures on Official Business (SF 1164)*

1. Are the following items the same on the claim for reimbursement for expenditures on official business and on the SCORPIOS report? a. Name of traveler? b. SSID? c. Amount/travel cost (applies only if the purpose of the travel benefits only one site)?	YES YES YES	NO NO NO
2. Are the following items the same on the claim for reimbursement for expenditures on official business and on an ad hoc financial report? a. Name of traveler? b. SSID? c. Amount/travel cost (applies only if the purpose of the travel benefits only one site)?	YES YES YES	NO NO NO

B. Receipts

1. If an itemized cost is more than \$75.00, are clear and legible receipts available?	YES	NO
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C. Payroll Distribution Timesheet (EPA Form 2560-28)

1. Is the name of the traveler the same on the payroll distribution timesheet/PeoplePlus Time report and on the claim for reimbursement for expenditures on official business?	YES	NO
2. Are the hours charged to the site (the traveler's payroll distribution timesheet/People Plus Time report and the days claimed for reimbursement for expenditures on official business as work conducted by the traveler) related to the site?	YES	NO

3.	Is the SSID listed on the payroll distribution timesheet/PeoplePlus Time report the same as the following?		
a.	SSID listed on the SCORPIOS report?	YES	NO
b.	SSID listed on an ad hoc financial report?	YES	NO

4.	If the purpose of the travel benefits more than one site, are the travel costs distributed based on the percentage of time spent on each site?	YES	NO
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D. EFT Detail Inquiry Table

1.	The EFT detail inquiry may be used as proof of payment. Are the following items the same on the EFT detail and on the SCORPIOS report?		
a.	Payment amount/travel costs?	YES	NO
b.	Last six characters of the schedule number/Treasury schedule number?	YES	NO

2.	Are the following items the same on the EFT detail table and on the claim for reimbursement for expenditures on official business?		
a.	Payment amount/amount claimed?	YES	NO
b.	Payment voucher number/bar code number?	YES	NO

3.	Is the payment amount listed on the EFT detail table the same as the total amount listed on an ad hoc financial report?	YES	NO
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E. Voucher Header Table

1.	The voucher header table inquiry may be used as proof of payment. Are the following items the same on the voucher header and on the SCORPIOS report?		
a.	Payee name/name of traveler?	YES	NO
b.	Amount/amount claimed?	YES	NO

2.	Are the following items the same on the voucher header and on the claim for reimbursement for expenditures on official business?		
a.	Payee name/name of traveler?	YES	NO
b.	Amount/amount claimed?	YES	NO

3.	Is the amount listed on the voucher header the same as the total amount listed on an ad hoc financial report?	YES	NO
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4. CONTRACT LABORATORY PROGRAM

Overview

The Contract Laboratory Program (CLP) is a nationwide network of laboratories under contract to EPA to perform organic and inorganic chemical analysis for the Superfund program. The Sample Management Office (SMO) contractor provides management, operations, and administrative support to the CLP.

The costs incurred under the CLP fall into two categories: Routine Analytical Services (RAS) and SMO program management. RAS costs are the actual costs of analytical samples; SMO costs are program management costs that are apportioned to each case sample. The SMO rates are calculated at the end of each fiscal year from the prior fiscal year figures. The actual SMO costs for each case are calculated by multiplying the applicable SMO rate by the analytical cost. From fiscal year 1987 forward, SMO are calculated as a percentage of total costs, before adjustments.

RAS contract costs are reviewed by the SMO and the EPA Contracting Officer Representative (COR) for approval of payment. After the project officer has approved an invoice, it is forwarded to RTP-FC which issues payment to the contractor.

All invoices are received by RTP-FC electronically via Web-base Invoicing System (WIS). The COR approves the electronic invoices through the Electronic Approval System (EASY). Prior to implementation of EASY, the Project Officers used a paper document, the Project Officer Invoice Approval Form.

I. RAS Contract Costs

A. Contractor Invoice

<p>1. Are the following items the same on the contractor invoice and on the case cost form of RAS financial information?</p> <p>a. Case number?</p> <p>b. Invoice number?</p> <p>c. Contract number?</p> <p>d. Contractor/laboratory name?</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>
<p>2. Are the following items the same on the contractor invoice and on the case cost form of RAS invoice numbers?</p> <p>a. Contractor/laboratory name?</p> <p>b. Case number?</p>	<p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p>
<p>3. Is the case number the same on the contractor invoice and on the financial summary for sample analysis?</p>	<p>YES</p>	<p>NO</p>

B. Contracting Officer Representative Invoice Approval or EASY

1.	Are the following items the same on the project officer invoice approval and on the contractor invoice?		
a.	Invoice number?	YES	NO
b.	Contract number?	YES	NO
c.	Contractor laboratory name?	YES	NO
d.	Total amount/net amount?	YES	NO

2.	Did the project officer approve the project officer invoice approval?	YES	NO
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C. Site-Specific Attachment

1.	Are the following items the same on the site-specific attachment and on the contractor invoice?		
a.	Case number?	YES	NO
b.	Invoice number?	YES	NO
c.	Contract number?	YES	NO
d.	Laboratory/contractor?	YES	NO
e.	Total amount/net amount?	YES	NO

2.	Is the site name listed on the site-specific attachment the same on the following documents?		
a.	Financial summary for sample analysis?	YES	NO
b.	Case cost form of RAS financial information?	YES	NO
c.	Case cost form of RAS invoice numbers?	YES	NO

D. EFT Detail Inquiry

1.	The EFT detail inquiry may be used as proof of payment. Are the following items the same on the Treasury schedule and on the contractor invoice?		
a.	Invoice number?	YES	NO
b.	Contract number?	YES	NO
c.	Vendor/contractor?	YES	NO
d.	Paid amount/net amount?	YES	NO

E. Voucher and Schedule of Payments

1.	The voucher and schedule of payments may be used as proof of payment. Are the last four characters of the schedule number listed on the voucher and schedule of payments the same as the last four characters of the Treasury schedule number listed on the Treasury schedule?	YES	NO
2.	Did an authorized certifying officer approve the voucher and schedule of payments?	YES	NO

F. Agency Confirmation Report

1.	Are the following items the same on the agency confirmation report and on the voucher and schedule of payments?		
a.	First five characters of the schedule number/last five characters of the reel number?	YES	NO
b.	Line-item dollar amount under heading "certified no check net"/grand total amount?	YES	NO

G. Financial Summary for Sample Analysis

1.	After all RAS CLP costs reported on the financial summary for sample analysis have been reconciled with the amounts listed on the laboratory invoices, the financial summary for sample analysis is reviewed. Are the following items the same on the financial summary for sample analysis and on the case cost form of RAS financial information?		
a.	Analytical cost/total analytical case cost?	YES	NO
b.	Sample management cost/total amount under heading "SM cost"?	YES	NO
c.	Total case cost/total cost?	YES	NO

H. SCORPIOS Cost Summary Report CLP Costs

1.	After all RAS CLP costs reported on the summary for sample analysis have been reconciled with the laboratory invoices, the reconciled cost information for each contractor invoice is entered into the SCORPIOS cost summary report. Are the following items the same on the SCORPIOS cost summary report and on the financial summary for sample analysis?		
a.	Site name?	YES	NO
b.	SSID?	YES	NO
c.	Case number?	YES	NO
d.	Total case cost?	YES	NO

2.	Are the following items the same on the SCORPIOS cost summary report and on the case cost form of RAS financial information?		
a.	SSID?	YES	NO
b.	Voucher number?	YES	NO
c.	Contract number?	YES	NO
d.	Contractor?	YES	NO
e.	Sample management costs?	YES	NO
3.	Are the last two characters of the SSID listed on the SCORPIOS cost summary report the same on the case cost form of RAS invoice numbers?	YES	NO
4.	Is the Treasury schedule date on the SCORPIOS cost summary report the same on the agency confirmation report?	YES	NO
5.	Is the voucher date on the SCORPIOS cost summary report the same on the contractor invoice?	YES	NO
6.	Is the Treasury schedule number on the SCORPIOS cost summary report the same as the first character and the last four characters of the schedule number on the voucher and schedule of payments?	YES	NO
7.	Is the voucher amount net of adjustments on the SCORPIOS cost summary report the same on the contractor invoice (if the contractor invoice covers only one site, the voucher amount net of adjustment will be the same as the analytical costs listed on the SCORPIOS cost summary report)?	YES	NO

5. INTERAGENCY AGREEMENTS (DISBURSEMENT)

Overview

Interagency agreements (IAGs) are made with other federal agencies to obtain specific services and provide expertise in the cleanup of sites. Disbursement IAGs are used for payments under agreements under which other federal government agencies provide goods or services to EPA. EPA disburses funds to other agencies to pay for actual expense incurred by those agencies in the performance of Superfund activities. Some of the agencies that provide goods or services to EPA are the U.S. Army Corps of Engineers, U.S. Coast Guard, Department of the Interior, and Tennessee Valley Authority.

For sites where work was performed under an IAG, the actual agreement is needed to demonstrate that services were authorized and performed. Specifically, the work authorization document which includes the scope of work is needed. Progress reports may also be used for documentation. Identification of a particular IAG is available through the regional Grants Management Office or EPA headquarters Grants Management Office.

The IAG is the obligating document that indicates the set-aside of funds for delivery of the services. Copies of the IAG, Standard Form (SF) 1080, or Intra-governmental Payment and Collections (IPAC) system bills, and proof of payment for withdrawals are used as documentation. It may be necessary to contact other federal agencies to obtain documentation of costs for cost recovery packages. An agency or its contractors are required to retain Superfund documents as described in the record retention requirements.

I. Disbursement IAG Costs Paid by Check

A. *Voucher for Transfers between Appropriations and/or Funds (DA Form 4445-R) or Voucher for Transfers between Appropriations and/or Funds (SF 1080)*

<p>1. The voucher for transfers between appropriations and/or funds (DA Form 4445-R) is used only by the Department of the Army and is used in lieu of the voucher for transfers between appropriations and/or funds (SF 1080). Are the following the same on the voucher for transfers between appropriations and/or funds and the SCORPIOS report?</p> <p>a. Name of the site?</p> <p>b. SSID?</p> <p>c. Billing office/contractor name?</p> <p>d. First four characters and the last six characters of the IAG number/contract number (the fifth and sixth characters "93" of the IAG number listed on the voucher for transfers between appropriations and/or funds indicate an IAG document)?</p> <p>e. Dates of service?</p> <p>f. Activity/action code described in summary of service?</p> <p>g. Bill number/voucher number?</p> <p>h. Bill amount/voucher amount?</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>
<p>2. Are the following items the same on the voucher for transfers between appropriations and an ad hoc financial report?</p> <p>a. SSID?</p> <p>b. Activity/action code?</p> <p>c. First four characters and the last six characters of the IAG number/obligation document number?</p> <p>d. Total bill amount/voucher amount (If payment has been made to U.S. Army Corps of Engineers)?</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>

3.	Does an authorized certifying officer's stamp appear on the voucher for transfers between appropriations and/or funds?	YES	NO
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B. Project Officer's Interagency Agreement Invoice Approval (EPA Form 2550-21) and Interagency Document On-line Tracking System (IDOTS)

1.	Are the following items the same on the project officer's interagency agreement invoice approval or IDOTS and on the voucher for transfers between appropriations and/or funds?		
a.	Name of the site?	YES	NO
b.	Agency/billing office?	YES	NO
c.	IAG number/first four characters and the last six characters of the IAG number?	YES	NO
d.	Invoice number/bill number?	YES	NO
e.	Invoice amount/total bill amount?	YES	NO

2.	Are the following items the same on the project officer's interagency agreement invoice approval or IDOTS and on the SCORPIOS report?		
a.	Date/voucher date?	YES	NO
b.	Project officer name?	YES	NO

3.	Does an authorized certifying officer's stamp appear on the voucher for transfers between appropriations and/or funds? (P)	YES	NO
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C. Interagency Agreement/Amendment (EPA Form 1610-1)

1.	Are the following items the same on the interagency agreement/amendment and on the Voucher for Transfers between Appropriations and/or Funds (DA Form 4445-R) or Voucher for Transfers between Appropriations and/or Funds (SF 1080)?		
a.	Agency /billing office name?	YES	NO
b.	IAG number?	YES	NO
c.	Project period/dates of personal services?	YES	NO
d.	Scope of work/project represented by eighth character of account number?	YES	NO

D. Check Header Inquiry

1.	The check header inquiry, also referred to as the check header, is used as proof of payment. Are the following items on the check header the same on the SCORPIOS report?		
a.	Amount/voucher amount?	YES	NO
b.	Check date/Treasury schedule date?	YES	NO
2.	Is the payee name listed on the check header the same as the billing office listed on the voucher for transfers between appropriation and/or funds?	YES	NO
3.	Are the last six characters of the schedule number listed on the check header the same as the last six characters of the Treasury schedule number listed on the Treasury schedule?	YES	NO

E. Treasury Schedule Control Line Inquiry (Where applicable)

1.	The Treasury schedule control line inquiry, also referred to as the Treasury schedule, is used as proof of payment. Are the following items the same on the Treasury schedule and on the SCORPIOS report?		
a.	Payment amount/site amount?	YES	NO
b.	Last six characters of the schedule number/Treasury schedule number?	YES	NO
2.	Is the payment voucher number listed on the Treasury schedule the same as the bar code number printed on the voucher for transfers between appropriations and/or funds?	YES	NO
3.	Are the following items the same on the Treasury schedule and on an ad hoc financial report?		
a.	Payment voucher number/reference transfer number?	YES	NO
b.	Last six characters of the schedule number?	YES	NO

II. Disbursement IAG Costs Paid Through IPAC System*A. Interagency Agreement/Amendment*

1.	Are the following items the same on the interagency agreement/amendment and the IPAC system bill?		
a.	Agency name/billing agency?	YES	NO
b.	Third through thirteenth characters of the EPA/IAG identification number/IAG number?	YES	NO

2.	Is the scope of work described or the project title listed on the interagency agreement/amendment similar to the description presented in the summary of service on the SCORPIOS report?	YES	NO
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B. IPAC Prepaid Code Sheet

1.	Are the following items the same on the IPAC prepaid code sheet and on the SCORPIOS report?		
a.	Payment amount/site amount?	YES	NO
b.	SSID?	YES	NO
c.	Last four characters of the direct disbursement schedule number/last four characters of the Treasury schedule number?	YES	NO

2.	Are the last eight characters of the reference document number listed on the IPAC prepaid code sheet the same as the first two characters and the fifth through tenth characters of the IAG number listed on the IPAC system bill?	YES	NO
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3.	Are the following items the same on the IPAC prepaid code sheet and on an ad hoc financial report?		
a.	SSID?	YES	NO
b.	Disbursement schedule number?	YES	NO

C. Project Officer's Interagency Agreement Invoice Approval (EPA Form 2550-21) and (Interagency Document On-line Tracking System (IDOTS))

1.	Are the following items the same on the project officer's interagency agreement invoice approval and on the IPAC system bill?		
a.	Agency name/billing agency?	YES	NO
b.	Invoice number/document reference number?	YES	NO
c.	Date/accomplished date?	YES	NO
d.	Invoice amount/dollar amount?	YES	NO
e.	Name of the site?	YES	NO
f.	Last eight characters of the IAG number/first two characters and fifth through tenth characters of the IAG number?	YES	NO

2.	Are the following items the same on the project officer's interagency agreement invoice approval and on the SCORPIOS report?		
a.	Project officer's name?	YES	NO
b.	Invoice amount (applies only if invoice covers one site)?	YES	NO

D. IPAC System Bill

1. Are the following items the same on the IPAC system bill and on the SCORPIOS report? a. Billing agency/federal agency? b. Document reference number/invoice number? c. Accomplished date/voucher date? d. Dollar amount/voucher amount? e. Accounting date/Treasury schedule date? f. Name of the site? g. First two characters and the fifth through tenth characters of the IAG number/last eight characters of the IAG number (the third and fourth characters "93" of the IAG number listed on the IPAC system bill indicate an IAG document)?	YES YES YES YES YES YES YES	NO NO NO NO NO NO NO
2. Are the following items the same on the IPAC system bill and on an ad hoc financial report? a. Barcode number/cash transfer number? b. First two characters and the fifth through tenth characters of the IAG/last eight characters of the obligation document? c. Voucher amount/site amount (applies only if IPAC system bill covers one site)?	YES YES YES	NO NO NO

6. ALLOCATION TRANSFER INTERAGENCY AGREEMENTS**Overview**

The EPA Superfund program uses interagency agreements (IAGs) to request certain federal government agencies to assist with site cleanups and provide ongoing support or services. Allocation transfer IAGs are used for payment under agreements in which federal agencies deliver goods and services to EPA. EPA transfers obligational and spending authority to the other agency to pay for expenses related to Superfund activities. Funds are transferred rather than disbursed. Disbursement of IAGs occurs when EPA disburses funds to the other agencies to pay for the actual expenses incurred by those agencies in the performance of Superfund activities.

The allocation transfer agencies, including Agency for Toxic Substances and Disease Registry (ATSDR), Federal Emergency Management Agency (FEMA), and National Oceanic and Atmospheric Administration (NOAA), prepare their own cost summary reports, provide supporting documentation, and reconcile their own costs for a site.

1. Is the cost recovery package complete?	YES	NO
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2.	Does the cost recovery package list the major categories of cost (e.g., payroll, travel, commercial, and miscellaneous)?	YES	NO
3.	Is the supporting documentation sufficient to adequately support each item listed in the cost recovery package?	YES	NO

7. MISCELLANEOUS EXPENDITURES

Overview

Miscellaneous expenditures include those costs not captured in the other eight cost categories. Examples include payments under purchase orders (PO) for low-cost items, travel requests in small amounts, and payments of credit card charges.

A. Order for Supplies or Services (Optional Form 347)

1.	Are the following items the same on the order for supplies or services and on the SCORPIOS report?		
a.	Contractor/vendor name?	YES	NO
b.	Requisitioning office/request?	YES	NO
c.	Description of supplies or services?	YES	NO
d.	Order number/procurement number?	YES	NO
e.	SSID?	YES	NO
2.	Are the following items the same on the order for supplies or services and on an ad hoc financial report?		
a.	Object class number?	YES	NO
b.	Document control number?	YES	NO
c.	Order number/obligation document number?	YES	NO

B. Vendor Invoice

1.	Are the following items the same on the vendor invoice and on the order for supplies or services?		
a.	Vendor/contractor?	YES	NO
b.	Purchase order number/order number?	YES	NO
c.	Description of supplies or services?	YES	NO
d.	Request/requisitioning office?	YES	NO

2.	Are the following items the same on the vendor invoice and on the SCORPIOS report?		
a.	Date/service date?	YES	NO
b.	Account number/voucher number?	YES	NO
c.	Invoice date/voucher date?	YES	NO
d.	Charges/voucher amount? Is this amount on an ad hoc report?	YES	NO

C. Treasury Schedule Control Line Inquiry

1.	The Treasury schedule control inquiry, also referred to as the Treasury schedule, is used as proof of payment. Are the payment amounts listed on Treasury schedule the same as the site amount listed on the SCORPIOS report?	YES	NO
2.	Are the last six characters of the schedule number listed on the Treasury schedule the same as the schedule number listed on the SCORPIOS report and the last six characters listed on the financial ad hoc report?	YES	NO
3.	Is the payment voucher number listed on the Treasury schedule the same as the barcode number printed on the vendor invoice?	YES	NO

D. Check Header Inquiry

1.	The check header inquiry, also referred to as the check header, is used as proof of payment. Are the following items the same on the check header and on the vendor invoice?		
a.	Payee name/vendor?	YES	NO
b.	Last six characters of the schedule number?	YES	NO
2.	Are the following items the same on the check header and on the SCORPIOS report?		
a.	Amount/voucher amount?	YES	NO
b.	Check date/schedule date?	YES	NO

Effective September 1, 2004

SCORPIOS captures proof of payment and displays it in a report format.

8. CONTRACT EXPENDITURES AND ANNUAL ALLOCATION

Overview

EPA procures the services of contractors pursuant to procedures and rules provided in the Federal Acquisition Regulations. The headquarters Office of Acquisition Management (OAM) procured most of the active and past Superfund contracts. In some years, contracts have been awarded in the regions. Beginning at the time of pre-contract solicitation, every contract has a contracting officer (CO) who is considered the government's official representative in all dealings with the contractor. For some contracts, the CO is OAM. For other contracts, such as the Alternative Remedial Contracts Strategy (ARCS) contracts, as well as most Superfund contracts awarded since the 1990s, COs are in the regional offices.

Each contract contains a statement of work that specifies the work to be performed by the contractor. For most Superfund contracts, the site response work is specified in a work-initiation document. Depending on the type of contract and response activity, these work initiation documents are known as work assignments (WA), technical direction documents (TDD), or delivery orders (DO). All of these vehicles and the basic contract prescribe reporting requirements, for example, periodic, interim, and final progress reports. These work initiation documents and progress reports will constitute documentation of work performed.

While the CO is the official charged with contract management, EPA's technical representative for dealing with a contractor is the Contracting Officer Representative (COR). The project officer (PO) is an employee of the EPA program office either in Headquarters or the regions, depending on the contract. In addition to the COR, the lower level contract vehicles described above have a technical representative known as a work assignment manager (WAM) or delivery order project officer (DOPO). Some contracts have several deputy project officers (DPO).

EPA's payments for these contracted services are based on invoices submitted monthly by the contractor. EPA's payment of invoices is contingent on approval of the COR. The invoices, supporting attachments such as the redistribution sheet, COR approval forms and other documents provide evidence of payment. RTP-FC accepts approval in either electronic or paper format. The redistribution sheets are sent to RTP-FC for entry into the Contract Payment System so that specifically related costs can be recovered to the sites. The site-specific charges are then uploaded from the Contract Payment System into IFMS, the agency's accounting system, then into the SCORPIOS system. The SCORPIOS system is used by the regional Superfund accountants to prepare cost packages for each site.

Audit Reports

For cost-reimbursement type contracts, contract costs consisting of contractors' indirect and direct costs are audited to ascertain whether they are properly allocable to the contract and allowable under the Federal Acquisition Regulations and the individual contract provisions. In reviewing a cost recovery package, it is important to know which contracts have undergone audits and when those audits occurred, because audits often require additional transactions (e.g., reimbursements or credits) in the financial system. For example, if the contract is a "cost plus fixed fee" type and the contractor claimed \$1.50 overhead for every dollar of direct labor, the costs will increase if the audited actual overhead costs were \$1.65 for every direct labor dollar.

Additional transactions resulting from an audit can affect the total amount of recoverable costs. The accounting for these transactions should result in charges or credits to the same site accounts as the original charges. Accordingly, these adjustments should be reflected in the SCORPIOS report and the ad hoc financial reports. However, it is beneficial to determine the status of audits to ensure that the applicable adjustments have been processed. OAM's Cost Advisory and Financial Analysis Division can provide information concerning the status of audits.

The annual incurred contract cost audit provides for timely resolution of cost and accounting problems. It finalizes contract costs to a specified date, and it expedites the closeout audit at contract completion. The scope and extent of the audit is influenced by: (1) the dollar volume of government business as compared to the contractor's total business volume, (2) the dollar volume of cost-reimbursable contracts versus fixed price contracts, and (3) the results of prior audits of the cost accounting system and incurred costs.

Contract closeout audits arise because many contracts, even some fixed price contracts, leave the total government payment subject to final audit quantification. A CO may retain a portion of the contract proceeds as protection to the government until an audit closes out the contract. The CO may adjust final payment by any amounts found not to constitute allowable costs or for prior overpayment or underpayment.

A. Public Voucher for Purchases and Services Other Than Personal (SF 1034) and Continuation Sheet (SF 1035)

<p>1. Are the following items the same on the public voucher for purchases and services other than personal and on the SCORPIOS report?</p> <p>a. Payee/contractor?</p> <p>b. Date/voucher date?</p> <p>c. Voucher number?</p> <p>d. Contract number?</p> <p>e. Total dollar amount after adjustment/voucher amount?</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>
<p>2. Is the contract number listed on the public voucher for purchases and services other than personal the same as the last eight characters of the obligation document number listed on the ad hoc financial reports?</p>	<p>YES</p>	<p>NO</p>

B. Contracting Officer Representative Invoice Approval or Electronic Approval System (EASY)

<p>1. Are the following items the same on the COR invoice approval and on the public voucher for purchases and services other than personal?</p> <p>a. Invoice number/voucher number?</p> <p>b. Contract number?</p> <p>c. Net invoice amount/total dollar amount?</p>	<p>YES</p> <p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p> <p>NO</p>
<p>2. Is the invoice approving official's name on the COR invoice approval the same as the name of the project officer listed on the SCORPIOS report?</p>	<p>YES</p>	<p>NO</p>

C. Site-Specific Invoice

1. Are the following items the same on the site-specific invoice and on the SCORPIOS report? a. Contractor? b. Voucher number? c. Contract number? d. Name of the site? e. SSID? f. Amount/site amount?	YES YES YES YES YES YES	NO NO NO NO NO NO
2. Are the following items the same on the site-specific invoice and on an ad hoc financial report? a. SSID? b. Amount?	YES YES	NO NO

D. Treasury Schedule

1. The Treasury schedule may be used as proof of payment. Are the following items the same on the Treasury schedule and on the SCORPIOS report? a. Vendor name/contractor? b. Invoice number/voucher number? c. Contract number? d. Amount/voucher amount? e. Treasury schedule number?	YES YES YES YES YES	NO NO NO NO NO
2. Are the following items the same on the Treasury schedule and on an ad hoc financial report? a. Contract number/last eight characters of the obligation document number? b. Last four characters of the Treasury schedule number?	YES YES	NO NO

E. Consolidated Voucher and Schedule of Payments

1. Is the schedule number listed on the consolidated voucher and schedule of payments the same as the Treasury schedule number listed on the Treasury schedule?	YES	NO
2. Is the line-item dollar amount listed under the heading "certified no check net" on the agency confirmation report the same amount listed on the consolidated voucher and schedule of payments?	YES	NO

F. Agency Confirmation Report

1.	Is the schedule number listed on the agency confirmation report the same as the Treasury schedule number listed on the Treasury schedule?	YES	NO
2.	Is the line-item dollar amount listed under the heading “certified no check net” on the agency confirmation report the same amount listed on the consolidated voucher and schedule of payments?	YES	NO
3.	Is the confirmed date listed on the agency confirmation report the same as the Treasury schedule date listed on the SCORPIOS report?	YES	NO

9. COOPERATIVE AGREEMENTS*Overview*

A Cooperative Agreement (CA) is a legal instrument between EPA and a state, political subdivision, or Indian Tribe that allows the recipient to participate in the Superfund response action. The nature of the CA depends on the extent of other party involvement. All recipients of Superfund CAs are required to comply with 40 Code of Federal Regulations (CFR) Part 35, Subpart O and 40 CFR Part 30, which prescribe accounting, recordkeeping, and reporting requirements. Payments are made to CA recipients by a drawdown process, either through Automated Clearing House (ACH), letter of credit (LOC), or request for advance or reimbursement. Since many of the reviews cover periods prior to the use of electronic documentation, the questions are structured to cover both paper and electronic documentation. Some of the questions below apply to paper documentation (coded P), some apply to electronic documentation (coded E), and some apply to both (no code).

I. CA Costs Paid by Letter of Credit (LOC)*A. EPA Assistance Agreement/Amendment (EPA Form 5700-20A)*

1.	The EPA Assistance Agreement/Amendment (EPA Form 5700-20A) is also referred to as the CA award document. Are the following items the same on the EPA assistance agreement/amendment and on the SCORPIOS report?		
a.	Recipient/state agency?	YES	NO
b.	Fourth through ninth characters of the assistance identification (ID) number/State Cooperative Agreement (SCA) number?	YES	NO
c.	Project/state officer?	YES	NO
d.	Project period/dates of service?	YES	NO
2.	Is the project title and description listed on the EPA assistance agreement/amendment the same as the project represented by the eighth character of the account number listed on the LOC request form?	YES	NO

B. Letter of Credit Request Form (P)

1. Are the following items the same on the LOC request form and on the SCORPIOS report? a. Request number/voucher number? b. Date/voucher date? c. Amount/voucher amount? d. Schedule number/Treasury schedule number? e. Date paid/Treasury schedule date? f. SSID? g. Line item amount/site amount? h. Other agency/state agency? i. Last six characters of the document number/SCA j. Activity/action code?	YES YES YES YES YES YES YES YES YES YES	NO NO NO NO NO NO NO NO NO NO
2. Are the following items the same on the LOC request form and on an ad hoc financial report? a. SSID? b. Last six characters of SCA number/last six characters of the obligation document number?	YES YES	NO NO
3. Did an authorized certifying official approve the LOC request form?	YES	NO

C. Letter of Credit Code Sheet (P)

1. Are the following items the same on the LOC code sheet and on the LOC request form? a. Date? b. Schedule number? c. SSID? d. Amount/line item amount? e. Last six characters of the document number/last six characters of the SCA number?	YES YES YES YES YES	NO NO NO NO NO
2. Are the following items the same on the LOC code sheet and on an ad hoc financial report? a. Document control number? b. Object class code?	YES YES	NO NO

II. CA Costs Paid by ACH**A. EPA Assistance Agreement/Amendment (EPA Form 5700-20A) (P)**

1. Are the following items the same on the EPA Assistance Agreement/Amendment and on the SCORPIOS report? a. Recipient/state agency? b. Fourth through ninth characters of the assistance ID number/SCA? c. Project/state officer? d. Project period/date of service?	YES YES YES YES	NO NO NO NO
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2. Is the project title and description listed on the EPA assistance agreement/amendment the same as the project represented by the eighth character of the account number listed on the ACH payment request or the continuation form?	YES	NO
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B. EPA-ACH Payment Request and Continuation Form (P)

1. Are the following items the same on the EPA-ACH payment request and continuation form and on the SCORPIOS report? a. Date/voucher date? b. Request number/voucher number? c. Recipient name/state agency? d. Approved amount/voucher amount? e. Last six characters of the assistance agreement/contract number/SCA number? f. Activity/action code? g. Line item amount/site amount? h. Activity Code/action code/summary of service?	YES YES YES YES YES YES YES YES	NO NO NO NO NO NO NO NO
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2. Are the following items the same on the EPA-ACH payment request and continuation form and on an ad hoc financial report? a. Recipient name/vendor name? b. Last six characters of the assistance agreement/contract number/last six characters of the obligation document? c. Activity Code/Action Code? d. Line item account/cash amount?	YES YES YES YES	NO NO NO NO
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3. Did an authorized certifying official approve the EPA-ACH payment request?	YES	NO
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C. ACH Code Sheet (P)

1.	Are the following items the same on the ACH code sheet and on the EPA-ACH payment request and continuation form?		
a.	Last six characters of the document number/last six characters of the assistance agreement/contract number?	YES	NO
b.	SSID?	YES	NO
c.	Amount/line item amount?	YES	NO

2.	Are the following items the same on the ACH code sheet and on the SCORPIOS report?		
a.	Schedule number/Treasury schedule number?	YES	NO
b.	Date/Treasury schedule date?	YES	NO

3.	Is the bar code number listed on the ACH code sheet the same as the bar code number listed on an ad hoc financial report?	YES	NO
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III. CA Costs Paid by Request for Advance or Reimbursement

A. EPA Assistance Agreement/Amendment (EPA Form 5700-20A) (P)

1.	The EPA Assistance Agreement/Amendment is also referred to as the CA award document. Are the following items the same on the EPA Assistance Agreement/Amendment and on the SCORPIOS report?		
a.	Recipient agency?	YES	NO
b.	Fourth through ninth characters of the assistance ID number/SCA number?	YES	NO
c.	Project period/dates of service?	YES	NO
d.	Project/state officer project officer?	YES	NO

2.	Are the following items the same on the EPA Assistance Agreement/Amendment and on the request for advance or reimbursement?		
a.	Site name?	YES	NO
b.	Project title and description/project represented by the Activity/action code?	YES	NO

B. Request for Advance or Reimbursement (SF 270) (P)

1.	Are the following items the same on the request for advance or reimbursement and on the SCORPIOS report?		
a.	Recipient organization/state agency?	YES	NO
b.	Last six characters of the federal grant number/SCA number?	YES	NO
c.	Partial payment request number/voucher number?	YES	NO

d.	Period covered/dates of service?	YES	NO
e.	Name of site?	YES	NO
f.	Federal share amount/voucher amount?	YES	NO
g.	Total federal share amount/voucher amount?	YES	NO
h.	Date of request/voucher date?	YES	NO
i.	SSID?	YES	NO
j.	Activity/action code described in summary of service?	YES	NO

2.	Are the following items the same on the request for advance or reimbursement and on an ad hoc financial report?		
a.	Recipient organization/vendor name?	YES	NO
b.	Last six characters of the federal grant number/last six characters of the obligation document number?	YES	NO
c.	Federal share amount/amount (SPUR report)/cash amount (MARS report)?	YES	NO
d.	SSID?	YES	NO

3.	Did an authorized certifying official approve request for advance or reimbursement?	YES	NO
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C. Grant Payment Code Sheet (P)

1.	Are the following items the same on the grant payment code sheet and on the request for advance or reimbursement?		
a.	Payee/recipient organization?	YES	NO
b.	Last six characters of the project number/last six characters of the federal grant number?	YES	NO
c.	Line item amount/federal share amount?	YES	NO
d.	Total amount listed/total federal share?	YES	NO
e.	SSID?	YES	NO

2.	Are the following items the same on the grant payment code sheet and on an ad hoc financial report?		
a.	First six characters of the document control number/document control number?	YES	NO
b.	Object class code?	YES	NO
c.	Bar code number/reference transfer number?	YES	NO

D. Treasury Schedule Control Line Inquiry

<p>1. The Treasury schedule control line inquiry, also referred to as the Treasury schedule, is used as proof of payment. Are the following items the same on the Treasury schedule and on the SCORPIOS report?</p> <p>a. Payment amount/site amount?</p> <p>b. Last six characters of the schedule number/Treasury schedule number?</p>	<p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p>
<p>2. Is the payment voucher number listed on the Treasury schedule the same as the bar code number printed on the grant payment code sheet?</p>	<p>YES</p>	<p>NO</p>

E. Check Header Inquiry

<p>1. The check header inquiry, also referred to as the check header, is used as proof of payment. Is the payee name listed on the check header the same as the recipient organization listed on the request for advance or reimbursement?</p>	<p>YES</p>	<p>NO</p>
<p>2. Are the last six characters of the schedule number listed on the check header the same as the last six characters of the Treasury schedule number listed on the Treasury schedule?</p>	<p>YES</p>	<p>NO</p>
<p>3. Are the following items the same on the check header and on the SCORPIOS report?</p> <p>a. Amount/voucher amount?</p> <p>b. Check date/Treasury schedule date? Confirmed date on an ad hoc financial report?</p>	<p>YES</p> <p>YES</p>	<p>NO</p> <p>NO</p>



APPENDIX A: WORKING PAPER PREPARATION

Working papers serve as tools to aid the performance of review work and as written evidence of the work performed. Statement on Auditing Standard (SAS) Number 41, *Working Papers*, provides authoritative guidance on, among other things, the functions, nature, and general content of working papers. Although conducting quality assurance reviews is not the same as conducting a financial statement audit, the concepts of SAS 41 are relevant and applicable. Working papers:

- Serve as evidence of work performed
- Support the validity of conclusions and recommendations reached
- Provide a permanent record of the methodology used
- Identify exceptions encountered and their relative importance
- Suggest ways to improve the scope and efficiency of future reviews
 - ✓ Subsequent quality assurance reviewer
 - ✓ Other internal reviewers
 - ✓ Office of Inspector General (especially CFO auditors) and GAO auditors
- Identify preparers

Further guidance on working papers can be obtained through authoritative literature and other reference materials. It is important to keep working papers in proper perspective and recognize that they facilitate a review. Working paper preparation should not be unduly burdensome and time-consuming.

To assist with the preparation of working papers, this Appendix provides information on test plans, sample selection, general considerations, and types of working papers.

TEST PLANS

The starting point in the documentation of any review or audit is the test plan. A test plan, or work program, can take a variety of forms, types, and styles. This QA Guide includes two basic types of test plans: questionnaires (Test Plans A and C) and test procedures (Test Plan B).

One purpose of test plans is to provide an outline of the work to be performed. Prior to beginning any test procedures, be sure to understand:

- The objective for which test procedures are being performed
- How to perform each test
- Where to go for necessary EPA records or data
- The documentation needed to support the work performed

- Budgeted hours for the work to be performed
- Planned completion date for the work to be accomplished

Since test plans describe the evidence-gathering steps to be used, they should be carefully followed. Three major considerations are addressed when developing a test plan:

- Decide what procedures to apply—the nature of the review tests.
- Decide when to apply the procedures—the timing of review tests.
- Decide which items against which to apply the procedures—the extent of the review tests.

These considerations are defined to the extent possible when the test plan is designed. Professional judgment should be exercised when executing the testing procedures—especially when determining the extent of testing necessary, including sample selection.

SAMPLE SELECTION

There are two basic approaches to sampling: (1) judgmental and (2) statistical. Both approaches require judgment in planning, selecting, and evaluating a sample and in relating the results derived from the sample to the population from which the sample was selected.

Judgmental sampling includes any form of sampling in which the sample size is determined and selected through personal judgment. The reviewer relies entirely on discretion and judgment in deciding how many and which items to select for examination and which to exclude.

Judgmental sampling is used for:

- Small populations (generally fewer than 500 items)
- Populations where internal controls have been found to be effective
- Populations of manual records from which it will not be cost-effective to select statistical samples

Potential weaknesses of judgmental sampling may include:

- Sufficiency of the evidence (sample size)
- Objectivity (unbiased sample selection)
- Difference in interpretation by reviewer
- Extent of required testing
- Result of the testing for population as a whole

The use of statistical techniques in estimating sampling size and/or selecting samples allows the reviewer to achieve a more objective and defensible degree of reliability and preciseness in the testing process. Ultimately, it is a matter of judgment by the reviewer that determines whether statistical sampling is necessary.

Statistical sampling is an objective process for testing a limited number of transactions in order to draw a conclusion about a larger span of transactions. Statistical sampling is appropriate when the number of transactions is too large to review one hundred percent (100%) to obtain a valid result.

GENERAL CONSIDERATIONS

The following items highlight some general considerations on working paper content:

- Working papers should be sufficiently intelligible, clear, and neat so that another person who has no previous association with the review can scan the papers and determine the nature and extent of the work completed and how conclusions were reached.
- The content of an individual working paper or group of related working papers should identify (1) the source of the information presented (e.g., sample, August SF-224), (2) the nature and extent of the work completed and conclusions reached, and (3) the appropriate cross-references to other working papers.
- Information and comments in the working papers generally represent statements of fact and professional conclusions. Accordingly, language should be clear and free from vague judgmental adjectives such as "good" or "bad." Conclusions should be supported by documented facts, especially if they concern the adequacy of EPA's records or systems. All inferences and conclusions should be objective and no misleading or irrelevant statements should be made.

Typical shortcomings of working papers include:

- Unsatisfactory conclusions
- Incomplete documentation/partially completed procedures
- Extraneous/duplicative information
- Mechanical performance of test procedures
- Inadequate resolution of deficiencies/problems noted

TYPES OF WORKING PAPERS

Working papers can be completed questionnaires, records of meetings (including interview notes), schedules, copies of documentation, or findings sheets. Regardless of the format of the working paper, each should contain certain basic elements. All working papers prepared in connection with Quality Assurance Reviews should contain at least the following elements:

Title or Heading: All working papers should have a title or heading comprising (1) a caption that briefly describes the contents of the paper, (2) the nature of the work, and (3) the applicable period or closing date covered by the review. An example of a heading is:

FY (year)
Quality Assurance Review
Accounts Receivable
Year-End Reconciliation

Preparer's Initials and Date: When the working paper is completed, the preparer should initial and date the working paper at the top right-hand corner.

Index number: A number or alphanumeric code should be placed in the lower right-hand corner of the working paper. The formulation of the index number is dictated by personal preference. Generally, a basic scheme is developed at the beginning of a review and will evolve, as necessary, as the review proceeds. For illustrative purposes, the general index letters used in a recent EPA Integrity Act review are provided:

A	Administrative
C	Contract Payment System (CPS)
G	Integrated Grant Management System (IGMS)
I	Integrated Financial Management System (IFMS)
IGL	IFMS General Ledger (GL) Subsystem
IB	IFMS Budget Execution/Funds Control/Budget Preparation Subsystem
IAP	IFMS Accounts Payable (AP) Subsystem
IAR	IFMS Accounts Receivable (AR) Subsystem
IFA	IFMS Fixed Assets (FA) Subsystem
IP	IFMS Purchasing (P) Subsystem
IPCA	IFMS Project Cost Accounting System (PCAS) Subsystem
IT	IFMS Travel Subsystem

The working papers for each general index above contain a basic filing sequence:

100	System Test Plan
200	Findings Sheets
300	Supporting Test Papers (schedules, documentation, interview, etc.)

For example, the CPS Test Plan would be indexed and filed as "C100." This index number should be placed in the bottom right-hand corner of the CPS Test Plan working paper.

Working paper files are generally classified as current files and permanent files. Current files contain information pertinent to a single review. Permanent files include documents that have background and general information, such as a flowchart—relevant to multiple or recurring reviews. Many of the working paper indexes listed above are divided between current and permanent files.

FINDING SHEETS - A SPECIAL TYPE OF WORKING PAPER

A "finding" is a statement describing a deficiency or problem found during the course of a review or an audit. Findings are the basis for audit and review reports. Findings should be:

- Significant enough to warrant communication to others
- Based on accurate and established facts and evidence contained in the working papers
- Developed objectively
- Based on adequate review work to support any conclusions reached
- Logical, reasonable, and convincing

In order to properly develop a finding, a finding sheet (a special type of working paper), is prepared. A finding sheet does not have a particular format, but it does contain standard elements necessary for complete findings: condition, cause, criteria, effect, recommendation, and comments from the staff being reviewed.

Condition: A concise statement of the deficiency noted. It is usually the opposite of criteria. Possible problems and issues in demonstrating condition include: (1) the quality of the data used is not credible, (2) the time frame is not representative, and (3) the individual instances of problems may not relate to or flow from the same root cause.

Cause: The underlying reason for the existence of the condition. It is the basis for sound recommendations. A strong cause strengthens the persuasiveness of the finding and increases the likelihood of the recommendations being accepted. Causes of deficiencies may reflect: (1) approval authority in the wrong place or too many layers of approval needed, (2) an inadequate allocation of resources, (3) operating procedures fail to keep up with processes, (4) traditions of an organization (culture), (5) internal controls that could prevent the condition are absent or did not work correctly, and (6) staff are not adequately trained. Some questions to ask about cause include the following:

- Is it the primary cause (fundamental/root cause)?
- Is it actionable? Can a recommendation be devised to fix it?
- Is it isolated or systemic? (A statistical projection to the universe can be very helpful in assessing the magnitude of errors to determine if they are isolated or systemic.)
- Is it an error or omission? Is it intentional?
- Is it internal or external to the organization?
- What internal controls failed or were absent that might have prevented the cause from occurring?
- Is it worth fixing?

Criteria: The standard, regulation, or sound management concept that is violated. Criteria usually set up effect. Without criteria, there is no finding. Possible criteria include laws, regulations, OMB Circulars and Bulletins, the Treasury Financial Manual, various GAO guidance and manuals, and professional standards. Steps to identify and develop criteria include:

- Collecting initial data on condition
- Investigating legal and regulatory environment
- Reviewing the policies and procedures of the organization
- Extracting relevant parts of existing criteria
- Deciding whether criteria provide a sufficient and specific standard for assessing the condition

Effect: The adverse results that have occurred, or might occur, due to a condition that does not meet criteria. Effects serve as catalysts for change and add persuasiveness and validity to the argument for change. Effects should be considered as they relate to the primary mission or goals of an organization. Some questions that may be used to develop effect are:

- Is it actual or potential?
- Is it measurable?
- Is it solely the result of the condition or are there other contributing conditions?
- Is it significant or likely to become significant?

Recommendation: A statement of the corrective action that should be implemented to correct the adverse condition. A recommendation should not be made if the cause is not addressed in the finding. The ideal future condition should be based on criteria and the recommendation directed at the cause of the problem. A determination must be made as to what is preventing the current condition from being the ideal future condition. Recommendations should help an organization remove barriers to efficient operations. Also, in developing recommendations, alternative strategies for addressing the cause should be identified and analyzed. Some strategies for analyzing recommendations include:

- Consider the rationale of the organization for not acting previously on the cause.
- Be sensitive to how recommendations might affect the organization.
- Consider the trade-offs between pros and cons of alternative strategies. Possible cons include: (1) transition costs and transition time and (2) competing values or goals of other components in the organization or other processes.
- Additional points for developing recommendations:
- State specifically what actions should be taken and by whom.
- Direct recommendations to those who have authority and responsibility to act.
- State recommendations positively and constructively.
- Emphasize awareness of costs and risks.
- Consider practical constraints – financial and other principles.
- Avoid recommending additional studies.
- Call for corrective action consistent with other elements.

Comments: A restatement of the response given by the office reviewed regarding the finding and recommendation.

APPENDIX B: ANNUAL ASSURANCE LETTER REPORTING REQUIREMENTS

The purpose of this Appendix is to consolidate information from quality assurance reviews and provide the reporting requirements for the Annual Assurance Letter. The attachments include the annual report along with appropriate supporting materials. Several schedules presented in other chapters of this QA Guide are shown as suggested data collection and reporting formats.

A conceptual overview, including schematics on the Integrity Act certification process (Exhibit 2-1) and assurance letter information flow (Exhibit 2-2), is presented in Chapter 2, Legislative Background. Other explanatory information is provided in other parts of this Guide. Questions about reporting requirements should be directed to FPPS.

REFERENCES

Attachment I, Sample Letter: Annual Report and Certification on Assessment of Financial Controls and Conformance with FASAB Principles – FY (year).

Attachment I, Schedule A: **Illustration** using Exhibit 3-3, Quality Assurance Review Tracking System.

Attachment I, Schedule B: **Illustration** in narrative form.

Attachment I, Schedule C: **Illustration** using Exhibit 3-4, QA Work Plan – Phases and Identified Deficiencies Schedule.

Attachment I, Schedule D: **Illustration** using Exhibit 4-1, Analysis of General Control Environment Summary of Results.

Attachment I, Schedule E: **Illustration** using Exhibit 4-2, Analysis of Accounting Event Transaction Testing Summary of Results.

SAMPLE ASSURANCE LETTER**M E M O R A N D U M**

SUBJECT: Annual Report and Certification on Assessment of Financial Controls and Conformance with FASAB Principles – FY (year)

FROM: Name
Director, (*office*)

TO: Name
Director, (*office*)

In accordance with your delegation of responsibilities to me, I have directed an evaluation of the (*office*) system of internal accounting and administrative controls in effect during the year ending (*enter actual date of report*), required by the Federal Manager's Financial Integrity Act and guidelines provided in the EPA Quality Assurance Guide. Included is an evaluation of whether the system of internal accounting and administrative control of (*office*) was in compliance with the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The objectives of (*office*) system of internal accounting and administrative control are to provide reasonable assurances that:

- Obligation and costs are in compliance with applicable law.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The results of the evaluation and other information indicate that (*office*) system of internal accounting and administrative control in effect during the year ending (*actual date of report*), taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within acceptable limits. These evaluations are identified in the following schedules:

- *Quality Assurance Review Tracking System*, identifying the specific activities that were examined during the fiscal year. (Attachment I, Schedule A)

- *Summary of QA Activities Performed*, a synopsis of each review conducted. (Attachment I, Schedule B)

(Note: The following example is provided to reflect discrepancies found during a review and reported in the assurance letter.)

The evaluation, however, did disclose discrepancies. The discrepancies and the proposed corrective action plans and schedules are identified in the following schedules:

1. ***QA Work Plan Phases & Identified Deficiencies Schedule***, identifying deficiencies and the working paper references for Test Plans A, B, and C. Also included are planned and actual start dates as well as planned and actual completion dates. (Attachment I, Schedule C)
2. ***Analysis of General Control Environment — Summary of Results***, identifying no discrepancies or areas for improvement based on an analysis of general control environment functions. (Attachment I, Schedule D)
3. ***Analysis of Accounting Event Transaction Testing Summary of Results***, identifying discrepancies and corrective actions based on test results of individual accounting events. (Attachment I, Schedule E)

I have reviewed all the attached forms and believe the forms accurately reflect the conditions of our office.

Name
Director, (office)

Date

SAMPLE - WORKPLAN

(Office Name)
Quality Assurance Review Tracking System
Fiscal Year 2005

Types of Quality Assurance Review	Risk Level	Reviewer	Beg. Date	End Date	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Accounts Payable	1	Myer	Feb05	Feb05				C		
Accounts Receivable	1	Doe	Apr 05	Apr 05				C		
Payroll Processing										
Fund Balance with Treasury										
Disbursements	1	Johnson	May 05	May 05				C		
Small Purchase Card										
Property, Plant, and Equipment										
Interagency Agreements										
Grants and Cooperative Agreements	4	Davidson	Jun 05	Jun 05				C		
Collections and Deposits	1	Jones	Mar 05	Mar 05				C		
Advances and Prepayments	3	Smith	Jan 05	May 05				C		
Financial Reporting										
Funds Control										
Travel Expenses and Reimbursements										
Claims Against the Government										
Other Types of Reviews Performed										
Total Reviews										

Notes:

C= Completed

P= Planned

I = In Process

SAMPLE SUMMARY OF QA ACTIVITIES**SUMMARY OF QA Activities Performed – FY 2005**

ACCOUNTS PAYABLE – Accounts Payable documentation was reviewed to verify that the payments were recorded promptly and accurately. The documentation was reviewed to verify timing differences between the creation of the payable, billing, and entry in the accounting records.

ACCOUNTS RECEIVABLE – Accounts receivable documentation was reviewed to verify that accounts receivable are being recorded in a timely manner and that adequate supporting documentation exists for all transactions.

DISBURSEMENTS – Disbursements were reviewed to verify that the payments are supported by obligating documents; appropriate discounts are taken; and certifying officer approved the disbursements.

GRANTS and COOPERATIVE AGREEMENTS – Grant balances in the Automated Standard Application for Payments (ASAP) were compared with the balances in IFMS. All discrepancies were researched and resolved.

COLLECTIONS and DEPOSITS – A review was performed to verify that collections are deposited promptly upon receipt and properly recorded in the accounting system. Internal control standards for separation of duties were reviewed to ensure proper control over collection is maintained.

ADVANCES and PREPAYMENTS – The review was conducted to verify timely recording of advances. In addition, an analysis of the recording and liquidation of prepayment transactions to the general ledger account was performed.

NOTE: List and provide a narrative for any additional reviews that were performed.

SAMPLE - IDENTIFIED DEFICIENCIES**QA Work Plan - Phases & Identified Deficiencies Schedule**

FISCAL YEAR _____	Identified Deficiencies Working Paper References	Start Date		Completion Date	
		Planned	Actual	Planned	Actual
TEST PLAN A - Analysis of General Control Environment					
TEST PLAN B - Transaction Testing for Accounting Events					
Accounts Payable	No deficiencies identified				
Accounts Receivable	No deficiencies identified				
Payroll Processing					
Fund Balance with Treasury					
Disbursements	No deficiencies identified				
Government-wide Credit Card					
Property, Plant, and Equipment					
Interagency Agreements					
Grants and Cooperative Agreements	Four files were not reconciled timely	May 05	May 05	Jun 05	Jun 05
Collections and Deposits	No deficiencies identified				
Advances and Prepayments	Erroneous balance of \$100,000 in general ledger	Jan 05	Jan 05	May 05	Jun 05
Financial Reporting					
Funds Control					
Travel Expenses and Reimbursements					
Claims Against the Government					
TEST PLAN C – Quality Assurance Review for Systems that Interface with the Integrated Financial Management System (IFMS) <i>(Financial Systems Staff coordinates reviews)</i>					

SAMPLE – ANALYSIS OF ACCOUNTING EVENTS
Analysis of Accounting Event Transaction Testing Summary of Results

DATE OF REPORT: June 30, 2005FISCAL YEAR: 2005PERIOD COVERED: October 1, 2004 – June 30, 2005

ACCOUNTING EVENT	PRIOR YEAR OUTSTANDING DISCREPANCIES	PRIOR YEAR NUMBER OF DISCREPANCIES	CURRENT YEAR \$ VALUE OF DISCREPANCIES	CURRENT YEAR OUTSTANDING DISCREPANCIES	REPORT DATE OF DISCREPANCY	Corrective Action				
						YES	NO	PLAN DATE	ACTUAL DATE	DESCRIPTION
Accounts Payable			0							No discrepancies identified
Accounts Receivable			0				X			No discrepancies identified
Payroll Processing										
Fund Balance with Treasury										
Disbursements			0				X			No discrepancies identified
Government-wide Credit Card										
Property, Plant, & Equipment										
Interagency Agreements										
Grants & Cooperative Agreements			0	4	Jun05		X	May 05	Jun 05	Deficiencies were corrected
Collections and Deposits			0				X			No discrepancies identified
Advances and Prepayments			\$100,000	3		X		May 05	Jun 05	Erroneous GL transaction. Need OFM adjustment. Contacted OFM May 05
Financial Reporting										
Funds Control										
Travel Expenses & Reimbursements										
Claims Against the Government										

APPENDIX C: TERMINOLOGY

Accounting System	The methods and records established to identify, assemble, analyze, classify, record, and report an entity's transactions and to maintain accountability for the related assets and liabilities.
Accrual Basis of Accounting	The accounting under which revenues are recorded when earnings and expenditures are recorded when goods are received and services performed even though the receipt of the revenue or the payment of the expenditure may take place, in whole or part, in another accounting period.
Adjusting Entry	Entries made to EPA's general ledger, generally at month-end and year-end, as part of the accrual basis of accounting, in order to recognize revenue and expenses in the period in which they were incurred.
Agency (Federal)	Any department, agency, commission, authority, administration, board, or other independent establishment in the executive branch of the government, including any corporation wholly or partly owned by the United States that is an independent instrumentality of the United States, not including any municipal government of the District of Columbia.
Allocation	The amount of obligational authority transferred from one agency, bureau, or account that is set aside in a transfer appropriation account to carry out the purpose of the parent appropriation or fund.
Apportionment	A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.
Appropriation	One of the basic forms of authority. Statutory authority that allows federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority, but in some cases the authorizing legislation itself provides the budget authority.
Assets	Tangible or intangible items owned by the federal government that would have probable economic benefits that can be obtained or controlled by a federal government entity.
Cash Basis of Accounting	The accounting method whereby revenues are recorded when received in cash and expenditures (outlays) are recorded when paid, without regard to the accounting period to which the transaction occurred.
Chart of Accounts	A list of general ledger accounts systematically arranged applicable to a specific activity or accounting entity, giving account names and numbers.
Commitment	The amount of allotment or lower level authority committed in anticipation of an obligation.
Control Objective	A desired goal or condition for a specific event that reflects the application of the overall objectives of internal control to that specific event.
Disbursements	Payments made using cash, checks, or electronic transfers. Disbursements include advances to others as well as payments for goods and services received and other

	types of payments made.
Entity	A unit within the federal government, such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, trust funds, and/or other accounts for which financial statements will be prepared in accordance with OMB annual guidance on Form and Content of Financial Statements.
Event	The processes used to initiate and perform related activities, create the necessary documentation, and gather and report related ideas.
Expenditures	The incurring of a liability, or payment in cash, for the purpose of acquiring an asset or service. The expenditure represents receipt of goods and services. It includes travel and other advances. It does not include undelivered orders (obligations) or commitments.
Expense	The outflows of assets or incurrence of liabilities during a period resulting from rendering services, delivering or producing goods, or carrying out other normal operating activities related to EPA's programs and missions, the benefits from which do not extend beyond the present operating period.
FISMA	Federal Information Security Management Act of 2002 (FISMA) requires each federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information security systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.
Fund	A self-balancing group of accounts — assets, liabilities, revenues, capital, and expenses - that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.
Trust Funds	Accounts that are designed by law as trust funds, for receipts earmarked for specific purposes and the associated expenditure of those receipts.
Funds Control	The control over the use and management of fund appropriations to ensure that (1) funds are used only for authorized purposes, (2) obligations and expenditures do not exceed the amounts authorized and available, and (3) the obligation or disbursement of funds is not reserved or otherwise withheld without Congressional knowledge and approval.
General Ledger	A summary of all financial transactions for a fund or any accounting entity within EPA for which a complete system of accounts is maintained and for which separate financial reports are prepared. The general ledger contains each account used by the reporting entity, grouped by accounting classification and numbered in ascending order in accordance with the U.S. Standard General Ledger.
IFMS	The Integrated Financial Management System is the official accounting system used by EPA to record and report on financial transactions. IFMS is composed of a database and various subsystems. The database contains journals, tables, and a general ledger.
Inherent Risk	The inherent potential for waste, loss, unauthorized use, or misappropriation due to the nature of an activity itself.

Internal Control	The plans, methods, and procedures used to meet missions, goals, and objectives that support performance-based management: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.
Internal Control Review	A detailed examination of a system of internal controls. All reviews should produce written material documenting what was done and related findings.
Journal	A tabular record in which accounting transactions are recorded as debits and credits in chronological order. The journals are the original point of entry for all accounting transactions. These transactions are later posted to the general ledger.
Liability	A probable and measurable future outflow of resources arising from past transactions or events.
Management Control	The organization policies and procedures used to reasonably ensure that programs achieve intended results; resource use is consistent with the mission; programs/resources are protected from fraud, waste, and mismanagement; laws/regulations are followed; and reliable, timely information is obtained, maintained, and reported.
Management Control Plan	A brief written plan that summarizes EPA's risk assessments, planned actions, and internal control evaluations to be undertaken to provide reasonable assurance that controls are in place and working and used to manage Integrity Act implementation.
Material Weakness	A situation in which the designed procedures or degree of operational compliance does not provide reasonable assurance that the objectives of internal control specified in the Integrity Act are being accomplished.
Obligation	Amounts of orders placed, contracts awarded, services received, and similar transactions for bona fide needs existing during a given period that will require payments during the same or a future period and that comply with applicable laws and regulations.
OMB Circular A-123-Revised (Effective FY 2006)	OMB Circular A-123-Revised, <i>Management's Responsibility for Internal Control</i> , defines the scope of assessing and documenting internal control over financial reporting to include the annual financial statements and other significant internal or external financial reports and compliance with laws and regulations that pertain to the financial reports.
OMB Circular A-127-Revised	OMB Circular A-127-Revised, <i>Financial Management System</i> , implements Section 4 of the Integrity Act. It prescribes specific policies and procedures for developing, operating, evaluating, and reporting on financial management systems.
OMB Circular A-130-Revised	OMB Circular A-130-Revised, <i>Management of Federal Information Resources</i> , establishes policy, procedures, and analytical guidelines for management of federal information resources.
OMB Circular A-136	OMB Circular A-136, <i>Financial Reporting Requirements</i> , establishes a central point of reference for all federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance Accountability Reports (PARS) under the Chief Financial Officers (CFO) Act of 1990 and the Accountability of Tax Dollar Act (ATDA) of 2002.

Posting	The transcribing of amounts from journals to the general ledger. It involves reorganizing information from a chronological format to a format of individual accounts.
Program	A major EPA endeavor that is mission oriented and fulfills statutory or executive requirements, and which is defined in terms of the principal actions required to achieve a significant end objective.
Quality Standards	Guidelines established as rules for measurement of quality.
Quality Assurance Review	An evaluation effort imposed and conducted by sources external to the units/personnel being reviewed to ensure that the overall work of a financial manager meets certain quality standards.
Reasonable Assurance	A standard that recognizes that the cost of acceptable, but not absolute, confidence of achieving a particular objective should not exceed the benefits derived, and that the benefits consist of reductions in the risks of failing to achieve the stated objective.
U.S. SGL	A general ledger containing a uniform chart of accounts and supporting transactions. This general ledger format is to be used by all federal agencies to standardize federal agency accounting and to support the preparation of standard external reports.
Trial Balance	A listing, in ascending account number order, of each general ledger account balance. The trial balance further indicates whether the balance condition is a debit or credit. The sum of all the debit account balances should equal the sum of all the credit account balances.
Vulnerability Assessment	A review of the susceptibility of a program or function to the occurrence of waste, loss, unauthorized use, or misappropriation.

APPENDIX D: FEDERAL MANDATES AND EPA REQUIREMENTS GUIDING QA PROGRAM

Laws
<ul style="list-style-type: none"> - Government Management Reform Act of 1994 (GMRA) http://www.whitehouse.gov/omb/financial/ffs_ffmia.html - Government Performance and Results Act of 1993 (GPRA) http://www.whitehouse.gov/omb/mgmt-gpra/gplaw2m.html - Cash Management Improvement Act of 1990 (CMIA) http://www.fms.treas.gov/cmia/statue.html - Chief Financial Officers Act of 1990 (CFO Act) http://www.gao.gov/policy/12_19_4.htm - Federal Managers' Financial Integrity Act of 1982 (FMFIA) http://www.whitehouse.gov/omb/financial/fmfia1982.html - Federal Financial Management Improvement Act of 1996 (FFMIA) http://www.whitehouse.gov/omb/financial/ffs_ffmia.html - Budget and Accounting Procedures Act of 1950 http://161.203.16.4/t2pbat7/145379.pdf - Federal Financial Management Improvement Act of 1996 http://www.whitehouse.gov/omb/financial/ffs_ffmia.html - Inspector General Act of 1978, as Amended (IG Act) http://access.gpo.gov/uscode/title5a/5a_2_.html - Federal Information Security Management Act of 2002 (FISMA) http://csrs.nist.gov/policies/FISMA-Final.pdf - Improper Payments Information Act of 2002 (IPIA) http://www.whitehouse.gov/omb/financial/fin_report.html - Single Audit Act, as amended http://www.gao.gov/new.items/do2877t.pdf

- Clinger-Cohen Act of 1996 (formerly known as the Information Technology Management Reform Act)
<http://www.whitehouse.gov/omb/egov/e-1-legislation.html>

Regulations

- OMB Circular A-123-Revised (Effective FY 2006), *Management's Responsibility for Internal Control*
<http://www.whitehouse.gov/omb/circulars/a123.html>
- 5 CFR 1315: Prompt Payment (formerly OMB Circular A-125, Prompt Payment Act)
<http://www.fms.treas.gov/prompt/5cfr1315.txt> <http://www.fms.treas.gov/prompt/5cfr1315.pdf>
- OMB Circular A-127-Revised, Financial Management Systems
<http://www.whitehouse.gov/omb/circulars/a127/a127.html>
- OMB Circular A-130 Revised, *Management of Federal Information Resource*
<http://www.whitehouse.gov/omb/circulars/a130/a130trans4.html>
- OMB Circular A-136, *Financial Reporting Requirements*
<http://www.whitehouse.gov/omb/circulars/a136/a136.pdf>

Guidelines

- GAO Policy and Procedures:
- Standards for Internal Control in the Federal Government, November, 1999 (Green Book)
<http://www.gao.gov/special.pubs/ppm.html>
 - GAO Special Publications
<http://www.gao.gov/special.pubs/afm.html>
 - The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform. [GAO/AFMD-12.19.4](#), September 1991
<http://www.gao.gov/special.pubs/af12194.pdf>
 - Core Financial System Checklist: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act. [GAO-05-225G](#), February 2005
<http://www.gao.gov/new.items/d05225g.pdf>
 - Federal Information System Controls Audit Manual: Volume I Financial Statement Audits [AIMD-12.19.6](#), June 2001
<http://www.gao.gov/special.pubs/ai12.19.6.pdf>

- Financial Audit Manual, A Joint GAO/PCIE Publication [GAO-04-942G](#), July 2004

<http://www.gao.gov/special.pubs/gaopcie>

- Maintaining Effective Control Over Employee Time and Attendance Reporting, [GAO-03-352G](#), January 2003

<http://www.gao.gov/special.pubs/gpg.html>

- Human Resources and Payroll System Requirements, March 2000

<http://www.gao.gov/special.pubs/ai2123.pdf>

- Treasury Financial Manual

<http://fms.treas.gov/tfm/vol1/index.html>

<http://fms.treas.gov/ASAP/fedusersguide>

<http://fms.treas.gov/eft/index.html>

Standards and Requirements

- Statements of Federal Accounting Standards Advisory Board (FASAB):

<http://www.fasab.gov/standards.html>

- Accounting for Selected Assets and Liabilities
- Accounting for Direct Loans and Loan Guarantees
- Amendments # SFFAS 18 – May 2000; #SFFAS 19 – March 2001
- Accounting for Inventory and Related Property
- Objectives of Liabilities of the Federal Government
- Managerial Cost Accounting Standards for Federal Government, Amendment #SFFAS 9 – October 1997
- Accounting for Property, Plant, and Equipment
- Revenue and Other Financing Sources
- Supplemental Stewardship Reporting, Amendments # SFFAS 11, October 1998; #SFFAS 14, April 1999; #SFFAS 16, July 1999

- OMB - Office of Federal Financial Management (OFFM)

<http://www.whitehouse.omb/financial>

EPA Policies and Procedures

- EPA Management Integrity Principles
- EPA Resource Management Directives
- EPA Financial Policy Announcements
- EPA Financial Performance Measures

APPENDIX E: ACRONYMS

ACH	Automated Clearing House
ARA	Assistant Regional Administrator
ASAP	Automated Standard Application for Payments
CBI	Confidential Business Information
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFC	Cincinnati-Finance Center
CFO	Chief Financial Officer
CFOC	Chief Financial Officers Council
CMIA	Cash Management Improvement Act
DOI	Department of Interior
DOJ	Department of Justice
EASY	Electronic Approval System
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
FC	Finance Center
FDW	Financial Data Warehouse
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMO	Financial Management Officer
FPPS	Financial Policy and Planning Staff
FSS	Financial Systems Staff
GAO	Government Accountability Office
GAO/PCIE	Government Accountability Office/President's Council on Integrity and Efficiency

GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
IAG	Interagency Agreement
IDOTS	Interagency Document On-line Tracking System
IFMS	Integrated Financial Management System
IGMS	Integrated Grant Management System
IPAC	Intra-governmental Payment and Collections
IPIA	Improper Payments Information Act
LVFC	Las Vegas-Finance Center
NEIC	National Enforcement Investigation Center
OA	Office of the Administrator
OAM	Office of Acquisition Management
OB	Office of Budget
OCFO	Office of Chief Financial Officer
OFFM	Office of Federal Financial Management (OMB)
OFM	Office of Financial Management
OFS	Office of Financial Services
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPAA	Office of Planning Analysis and Accountability
ORBIT	OCFO Reporting and Business Intelligence Tool
PCS	Program Costing Staff
QA	Quality Assurance
QAR	Quality Assurance Review
RA	Regional Administrator
RAS	Reports and Analysis Staff

RMD	Resources Management Division
RTPFC	Research Triangle Park-Finance Center
SCORPIOS	Superfund Cost Recovery Package and On-line System
SRO	Senior Resource Officer
TFM	Treasury Financial Manual
WCF	Working Capital Fund
WCFS	Working Capital Fund Staff
WFC	Washington-Finance Center